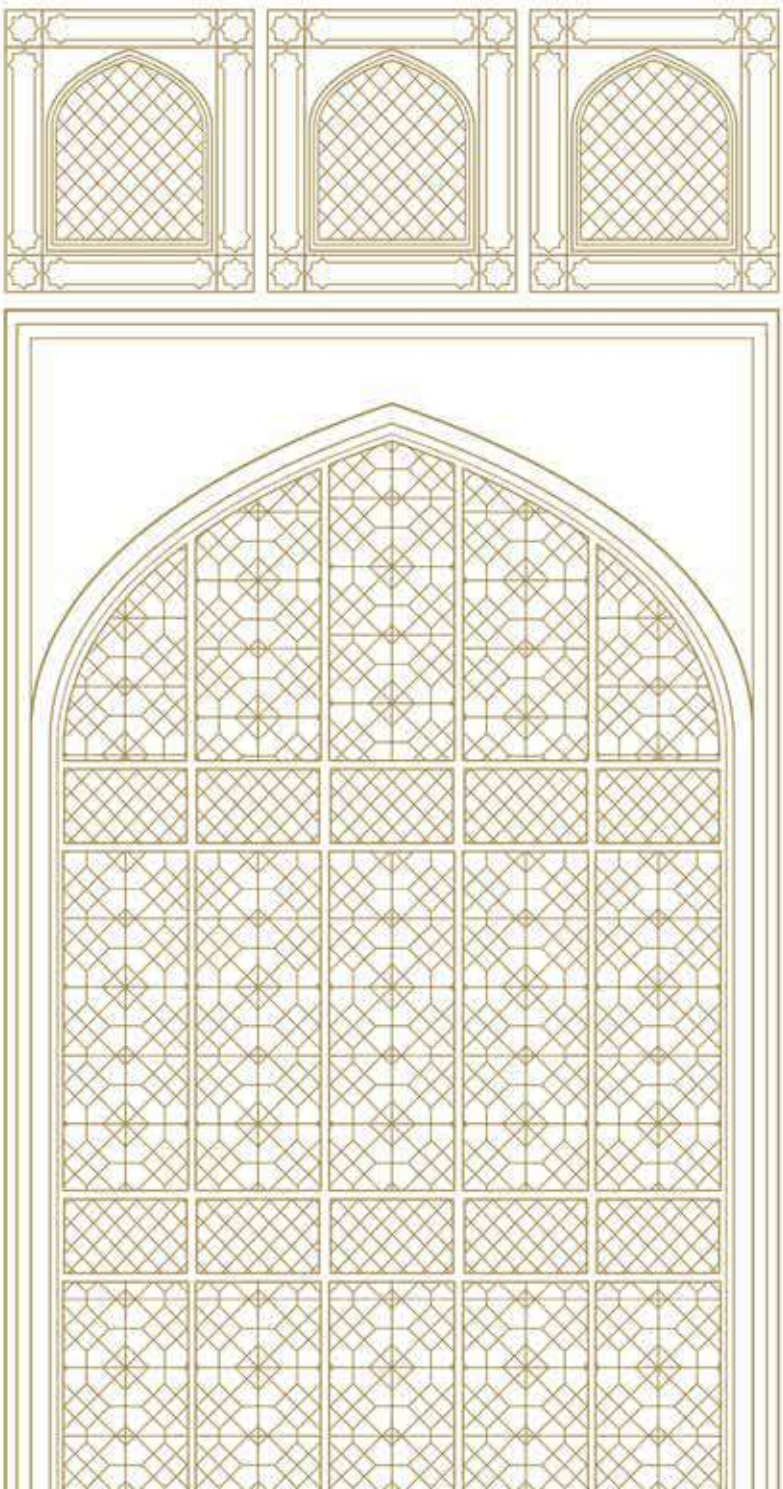
ICON OF
SUSTAINED GROWTH

Annual Report **2020**

SAUDI PAK



SAUDI PAK

Incorporated in 1981 under a joint venture agreement between the Kingdom of Saudi Arabia and Government of Islamic Republic of Pakistan with initial paid up capital of Rs. 200 million. Saudi Pak has so far declared dividends aggregating to Rs.11,703 million. Shareholders' equity has increased to Rs.12,912 million as of December 31, 2020.
Cumulative loan disbursements to vital sectors of economy like manufacturing, energy, services etc. aggregated to Rs. 73,348 million till December 31, 2020.

Saudi Pak acquired a commercial bank in 2001 which was divested at a considerable profit during 2008. Strategic investments were also made in a listed leasing company and insurance company. Saudi Pak Real Estate Limited, a wholly owned subsidiary has also been established which is the first real estate company licensed by State Bank of Pakistan.

Saudi Pak owns a high rise building which is known as a landmark of Islamabad. A major portion of building is rented out to several multinational and local companies.

SUCCESS STORY...

Saudi Pak is fully committed to promote investment in industrial and agricultural sectors. Commitment to creation of economic opportunities in partnership with our clients has always been our core objective.

We aim to move in 2020 with the same vision, so that we continue to play our due role in the economic progress of the country.

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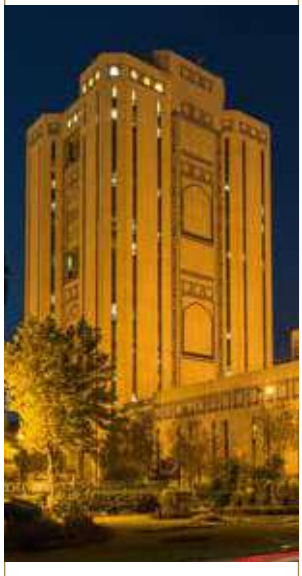

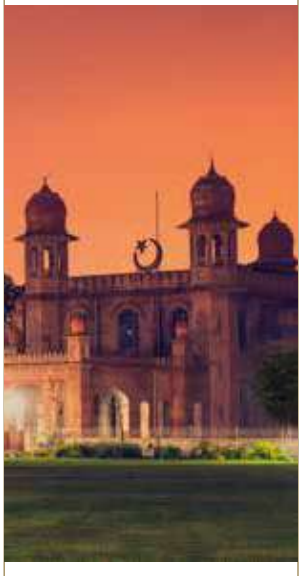

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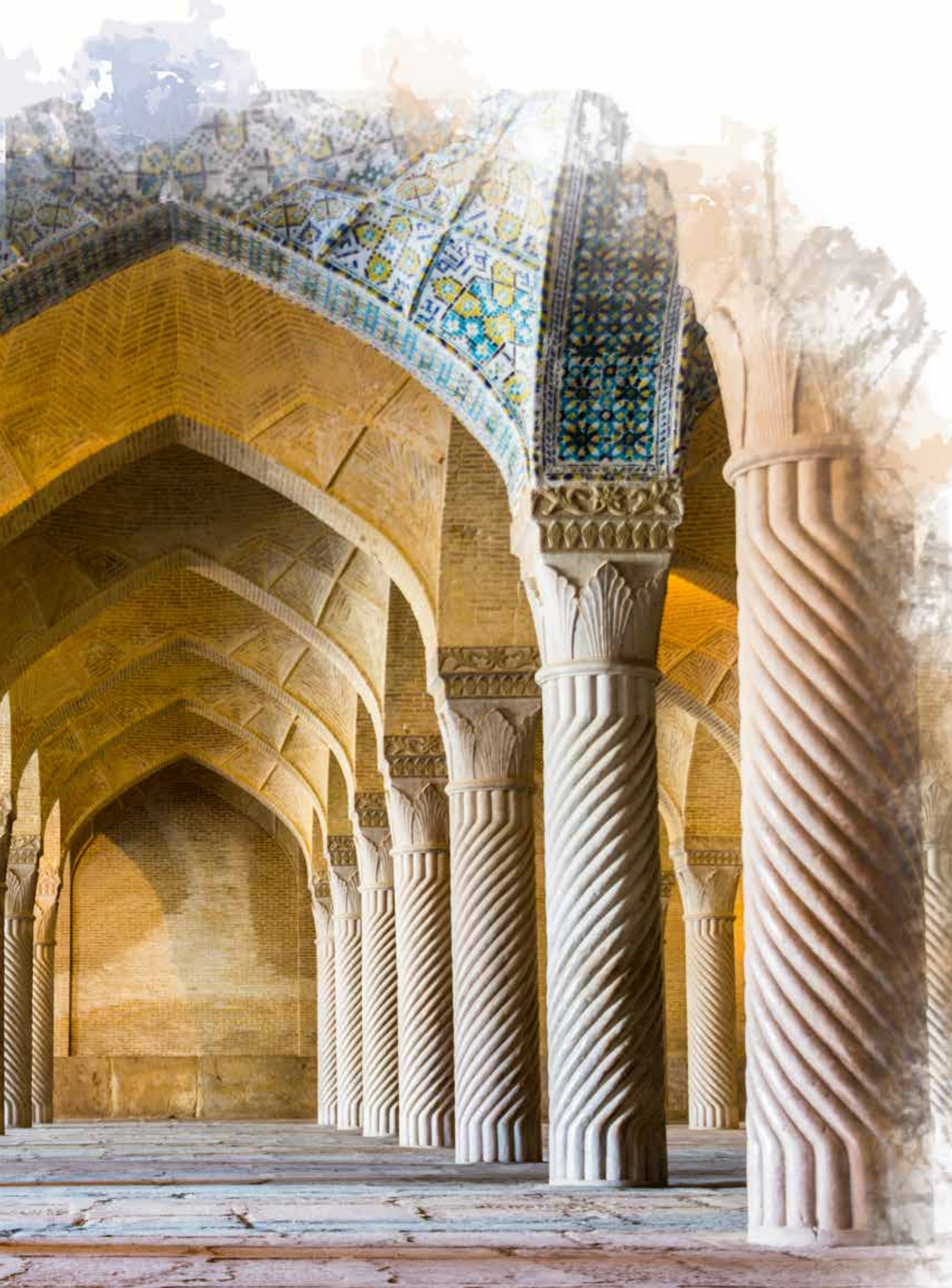


CORPORATE INFORMATION

Board of Directors

Mr. Sultan Abdulrauf
Chairman

Mr. Zafar Hasan
Deputy Chairman

Mr. Majid Misfer J. Alghamdi
Director

Mr. Mohammad Tanvir Butt
Director

Mr. Ghanem Alghanem
Director

Mr. Qumar Sarwar Abbasi
Director

Risk Management Committee

Mr. Zafar Hasan
Chairman

Mr. Majid Misfer J. Alghamdi
Member

Mr. Qumar Sarwar Abbasi
Member

Mr. Ghanem Alghanem
Member

Mr. Mohammad Nayeem Akhtar
Secretary

Company Secretary

Mr. Mohammad Nayeem Akhtar

Chief Financial Officer

Mr. Khawar Ashfaq

GM/Chief Executive

Mr. Kamal Uddin Khan

Audit Committee

Mr. Majid Misfer J. Alghamdi
Chairman

Mr. Mohammad Tanvir Butt
Member

Mr. Qumar Sarwar Abbasi
Member

Mr. Ghanem Alghanem
Member

Syed Safdar Abbas Zaidi
Secretary

Human Resource and Remuneration Committee

Mr. Sultan Abdulrauf
Chairman

Mr. Zafar Hasan
Member

Mr. Mohammad Tanvir Butt
Member

Mr. Majid Misfer J. Alghamdi
Member

Mr. Mohammad Nayeem Akhtar
Secretary

Legal Advisors

Hassan Kaunain Nafees

Auditors

A. F. Ferguson & Co.
Chartered Accountants

CORPORATE VISION

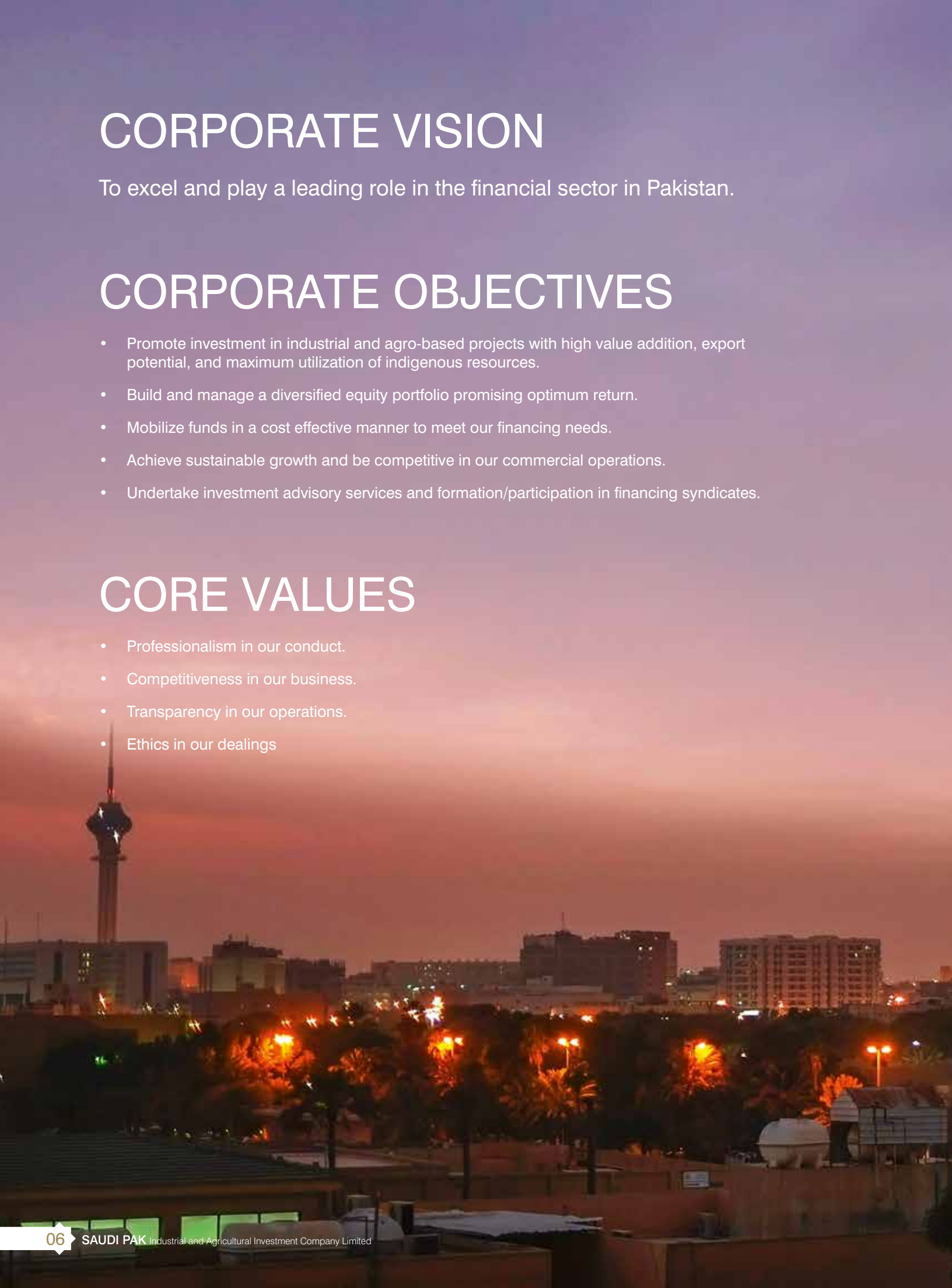
To excel and play a leading role in the financial sector in Pakistan.

CORPORATE OBJECTIVES

- Promote investment in industrial and agro-based projects with high value addition, export potential, and maximum utilization of indigenous resources.
- Build and manage a diversified equity portfolio promising optimum return.
- Mobilize funds in a cost effective manner to meet our financing needs.
- Achieve sustainable growth and be competitive in our commercial operations.
- Undertake investment advisory services and formation/participation in financing syndicates.

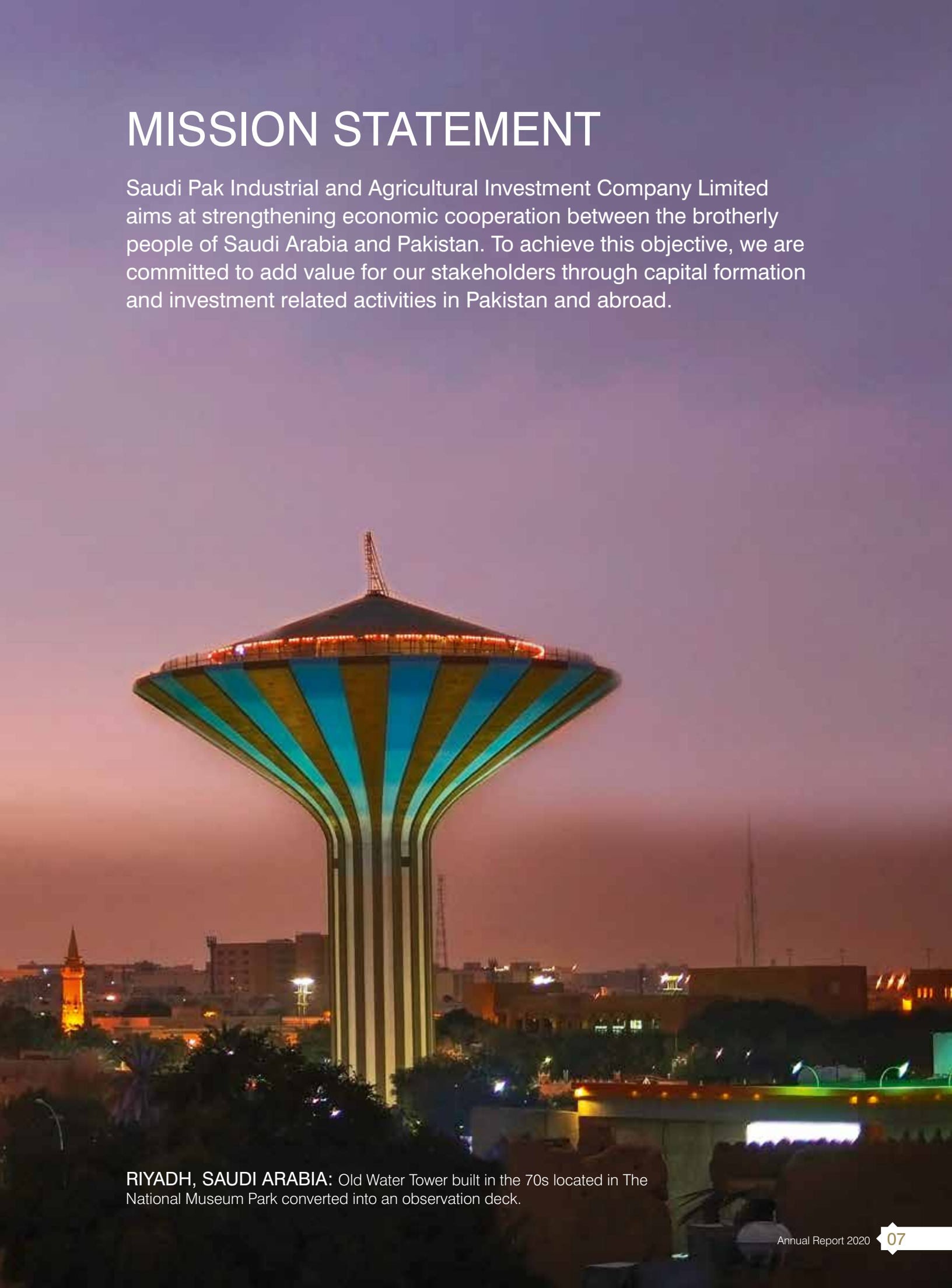
CORE VALUES

- Professionalism in our conduct.
- Competitiveness in our business.
- Transparency in our operations.
- Ethics in our dealings



MISSION STATEMENT

Saudi Pak Industrial and Agricultural Investment Company Limited aims at strengthening economic cooperation between the brotherly people of Saudi Arabia and Pakistan. To achieve this objective, we are committed to add value for our stakeholders through capital formation and investment related activities in Pakistan and abroad.



RIYADH, SAUDI ARABIA: Old Water Tower built in the 70s located in The National Museum Park converted into an observation deck.

CORPORATE PROFILE

Saudi Pak Industrial and Agricultural Investment Company Limited was incorporated in 1981 under a joint venture agreement between the Kingdom of Saudi Arabia and the Government of Islamic Republic of Pakistan. The initial authorized capital of the Company was Rs.1,000 million. As of December 31, 2020 paid up capital of the Company is Rs.6,600 million.

KING SAUD
UNIVERSITY

50
Percent

Kingdom of Saudi Arabia
(Through Ministry of Finance)

50
Percent

Islamic Republic of Pakistan
(Through State Bank of Pakistan)

Saudi Pak has a diverse product range to cater the growing needs of its corporate customers in the private and public sectors. The product mix and services comprise of:

- Project Finance:
    - Medium to long term loans.
    - Lease financing.
    - Term Finance Certificates (TFCs).
    - Long Term Finance for Export Oriented Projects (LTF-EOP).
- Short term loans to meet the working capital requirements.
- Direct equity investments.
- Underwriting of public issues of shares and Term Finance Certificates.
- Non-funded commitments in the form of Letter of Comfort etc.
- Syndication, Trusteeship, Acting as Financial Arranger/ Advisor and Consultancy services.

UNIVERSITY OF PESHAWAR

The University of Peshawar was founded as an expansion of the Islamia College. Spread over an area of 1,045 acres (4 km^2) as a residential campus, the university is the first public university established in Khyber Pakhtunkhwa. The founder of Pakistan, Muhammad Ali Jinnah, who had visited the college in 1928 had great admiration for it, referring to it as 'my college' and adopted it in 1939 as one of the three heirs to his fortune. For Jinnah the university was a gift to students of the province, in recognition of the part played by them in the making of Pakistan.

BOARD OF DIRECTORS

Mr. Sultan Abdulrauf
Chairman

Mr. Zafar Hasan
Deputy Chairman

Mr. Majid Misfer J. Alghamdi
Director

Mr. Mohammad Tanvir Butt
Director

Mr. Ghanem Alghanem
Director

Mr. Qumar Sarwar Abbasi
Director

MANAGEMENT

Mr. Kamal Uddin Khan
Chief Executive

Mr. Umar Saeed Khan
Senior Executive Vice President

Mr. Mohammad Nayeem Akhtar
Executive Vice President

Mr. Arshed Ahmed Khan
Executive Vice President

Mr. Yawar Khan Afridi
Executive Vice President

Sheikh Aftab Ahmad
Executive Vice President

Mr. Fateh Tariq
Executive Vice President

Mr. Kashif Suhail
Executive Vice President

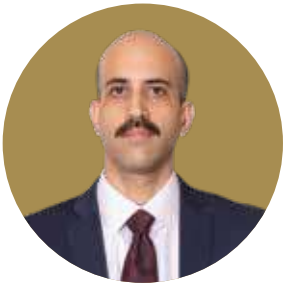
Mr. Ali Imran
Senior Vice President

Mr. Zafar Iqbal
Senior Vice President

Syed Safdar Abbas Zaidi
Senior Vice President

Mr. Irfan Karim
Senior Vice President

Mr. Khawar Ashfaq
Senior Vice President



Mr. Mohammed Ghairat Hayat
Senior Vice President

Mr. Arif Majeed Butt
Vice President / Head

Mrs. Tayyaba Yamin
Vice President / Head

LAHORE UNIVERSITY
OF MANAGEMENT AND SCIENCES

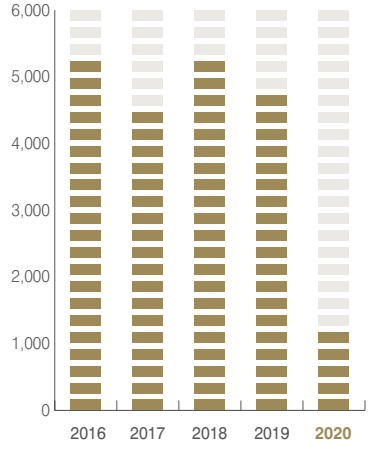
In 1983, Syed Babar Ali, a renowned businessman in Pakistan, recognized the shortage of qualified managers in the country. He proposed to establish a world-class university that would attract and retain the highest calibre of students and faculty. He shared this idea with fellow businessman and close friend, Abdul Razak Dawood, who was in full support of the vision. The university has since then expanded, launching a liberal arts undergraduate school in 1994, an engineering school in 2008, a law school in 2004 and an education school in 2017. The university launched a National Outreach Programme (NOP) in 2001 to provide financial aid to students and in 2015, in partnership with Afghan government, launched a scholarship programme for Afghan students to diversify its student body.

OPERATIONAL HIGHLIGHTS

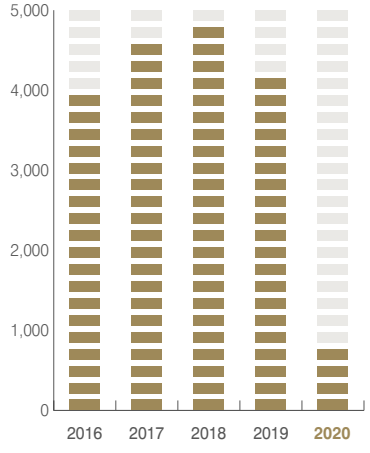
(Rs. in million)

	2016	2017	2018	2019	**2020**
Approval of Financing and Investment					
Long Term Finance/TFCs	3,950.0	4,060.0	5,309.0	3,733.0	525.0
Lease Finance	20.0	-	-	16.0	-
Equity Investment	330.0	250.0	-	-	330.0
Short Term Finance	970.0	619.5	1,395.0	1,315.0	250.0
Guarantees and Underwriting	350.0	830.0	-	200.0	-
Gross Approvals	5,620.0	5,759.5	6,704.0	5,264.0	1,105.0
Withdrawals	238.4	1,168.0	1,524.0	466.0	30.0
Net Approvals	5,381.6	4,591.5	5,180.0	4,798.0	1,075.0
Gross Cumulative Approvals	70,695.3	76,454.8	83,158.8	88,422.8	89,527.8
Cumulative Withdrawals	4,408.4	5,576.4	7,100.4	7,566.4	7,596.4
Net Cumulative Approvals	66,286.9	70,878.4	76,058.4	80,856.4	81,931.4
Disbursement of Funds					
Long Term Finance/TFCs	3,177.2	2,975.2	3,582.2	2,703.1	349.4
Lease Finance	-	20.0	-	-	-
Short Term Finance	744.5	845.0	1,145.0	1,315.0	100.0
Direct Equity & Underwriting Take-ups	-	807.0	-	-	300.0
Total Disbursements	3,921.7	4,647.2	4,727.2	4,018.1	749.4
Cumulative Disbursements	59,206.3	63,853.5	68,580.7	72,598.8	73,348.2
Recoveries					
Total Amount	3,115.9	3,994.3	5,187.3	3,877.4	2,078.6
Current Dues Collection Ratio (%)	90.70	91.82	87.26	85.83	95.78

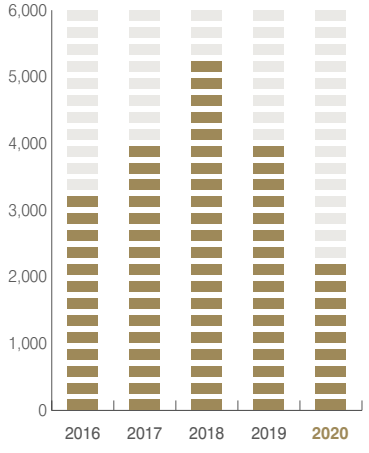
Approval of Financing & Investment (Net)



Disbursement of Funds



Recoveries

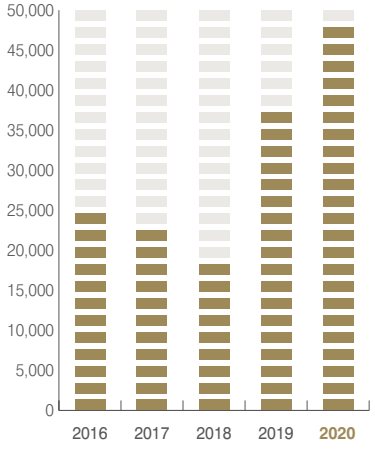


FINANCIAL HIGHLIGHTS

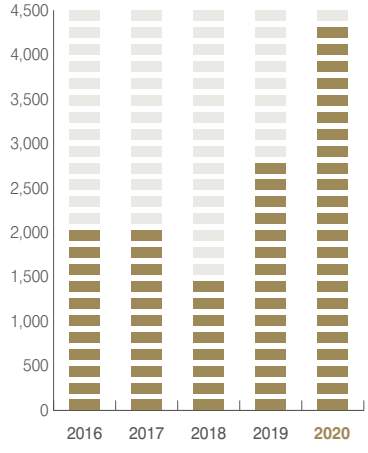
(Rs. in million)

	2016	2017	2018	2019	**2020**
Income Statement					
Total Income	2,059.8	1,962.6	1,446.0	2,740.4	4,344.5
Net Income	1,559.0	1,475.3	1,048.8	1,189.4	1,603.8
Profit before Tax	962.8	859.9	698.5	404.9	808.8
Profit after Tax	476.1	627.3	407.6	267.1	616.3
Balance Sheet at year end					
Total Shareholders' Equity	9,920.6	12,205.4	12,648.7	13,003.4	12,912.1
Total Assets	24,331.7	22,166.7	19,190.6	37,084.6	48,235.7
Selected Ratios					
Return on Average Equity(%)	4.9	5.7	3.3	2.1	4.8
Return on Average Assets(%)	1.9	2.7	2.0	0.9	1.4
Assets/Equity(times)	2.5	1.8	1.5	2.8	3.7

Total Assets



Total Income

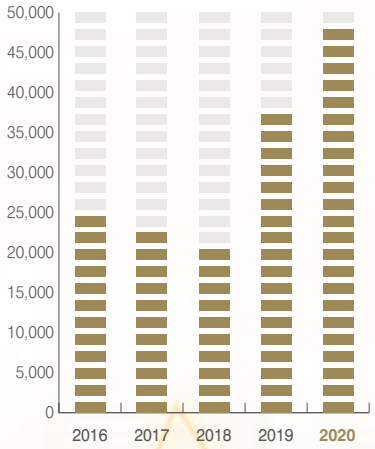


SUMMARY OF CONSOLIDATED ACCOUNTS

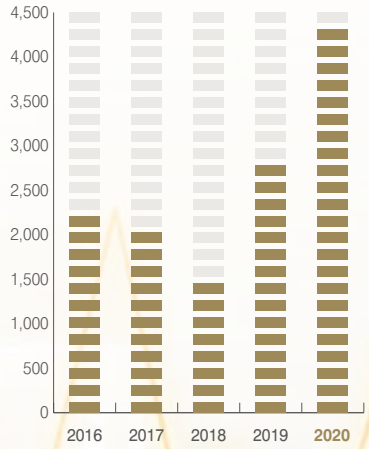
(Rs. in million)

	2016	2017	2018	2019	**2020**
Income Statement					
Total Income	2,096.3	2,006.3	1,493.2	2,782.6	4,383.9
Net Income	1,595.6	1,513.7	1,087.6	1,225.0	1,645.6
Profit before Tax	975.5	870.1	702.4	423.5	836.3
Profit after Tax	486.6	631.9	409.7	283.2	640.5
Balance Sheet at year end					
Total Shareholders' Equity	10,094.3	12,383.6	12,828.7	13,200.1	13,132.9
Total Assets	24,524.9	22,462.4	19,447.2	37,282.8	48,443.1

Total Assets



Total Income



CHAIRMAN'S MESSAGE

On behalf of the Board of Directors, I would like to present the 39th audited financial statements of Saudi Pak Industrial and Agricultural Investment Company Limited as well as consolidated accounts together with Auditors' Report to Members and the Directors' Report for the year ended December 31, 2020.

As Pakistan began to emerge from the economic challenges experienced during 2019, it was confronted by the global COVID-19 pandemic. The Government of Pakistan adopted measures such as nationwide lockdowns, social distancing and travel restrictions for containing the virus. This disrupted manufacturing, retail, transport and trade-related activities which had a severe effect on macroeconomic indicators of the country. For the first time in 68 years, Pakistan's real GDP recorded a negative growth of 0.4 percent for FY20. To support the economy, the federal government announced a stimulus package of Rs. 1.2 trillion, and the State Bank of Pakistan (SBP) slashed the policy rate from 13.25% to 7%, while simultaneously introducing various relief measures such as Loan Extension and Restructuring Package. Private sector credit to businesses maintained a downward trajectory for most of the year, and gross infection ratio of the banking sector touched 9.9% by Sep-20, from 8.6% as on start of year. Capital markets remained highly volatile.

In this challenging environment, the Company's prime focus remained on capital preservation. Capital market positions were managed to minimize losses; stock portfolio was reconfigured and rationalized wherever possible. Company prudently made necessary provisions against mark to market revaluation deficits and non-performing loans. Cautious approach was adopted in project finance business given higher risk of defaults and uncertainty. Credit exposure was closely monitored and ninety percent of the performing portfolio was restructured as per SBP guidelines. Management efforts and regulatory relief measures prevented further build up of non-performing loans. Gross non-performing loans came down by 4% due to recoveries made in spite of prevailing market conditions, and net non-performing loans were brought down by 25%. Investment was built-up in default-risk free government securities under falling interest rate environment.

Company closely monitored the COVID-19 situation and invoked required actions to ensure the safety of its staff while providing uninterrupted operations. Business continuity processes were kept up-to-date in light of evolving fluid conditions. In accordance with SBP directives, shortened working hours were observed during the peak of the pandemic.

Clustering at the workplace was avoided through placing employees on rotation via a roster system. Enhanced bio-safety measures such as disinfection tunnel, temperature checking, accelerated sanitization routine, strict facemask enforcement, and contactless attendance system, were put in place at Saudi Pak Tower and offices to prevent infection / transmission of disease. Ongoing awareness is promoted amongst the staff through emails / circulars.

During the year, the Company's total assets grew by 30 percent to Rs. 48.2 billion mainly due to increased investment in high yielding government securities. As a result, Net Interest Income increased by 30 percent to Rs. 992.2 million. Income from Capital Markets increased by 86% to Rs. 383.7 million. Company prudently booked provisions of Rs. 340.3 million primarily against non-performing loans and advances. After-tax profit increased by 131 percent to Rs. 616.3 million. This is an excellent result achieved during a very difficult operating environment.

The Company's overall risk profile including operating results and financial flexibility was reconfirmed by external Credit Rating Agency VIS who maintained Company's long term entity rating at AA+ and short term rating at A-1+ with stable outlook.

Moving forward, with the economy showing nascent signs of recovery, Company is well-positioned to capitalize on available opportunities as and when they present themselves. Focus will remain on the core business of project finance. The Board firmly supports management to pursue its plans.

In the end, I would like to express on my behalf and on behalf of the Board our sincere gratitude to the joint venture partners, the Kingdom of Saudi Arabia and the Islamic Republic of Pakistan for their unwavering support and State Bank of Pakistan as well as Securities Exchange Commission of Pakistan for their professional guidance. I am also thankful to the Board Members for their valuable contributions. Further, I congratulate and express my deep pride in the Saudi Pak's team for this excellent performance amid challenging economic environment.

Sultan Abdulrauf
Chairman

چیئرمین کا پیغام

بورڈ آف ڈائریکٹرز کی جانب سے سعودی پاک انڈسٹریل اینڈ ایگریکلچرل انویسٹمنٹ کمپنی کے 39ویں مالی گوشوارے اور مجتمع اکاؤنٹس مع 31 دسمبر 2020 کو ختم ہونے والے سال کے لیے ارکان اور ڈائریکٹرز کو آڈیٹرز کی رپورٹ پیش کرنا میرے لئے باعث افتخار ہے۔

جیسے ہی پاکستان 2019 کے دوران سامنے آنے والے معاشی مشکلات سے سرخرو ہو کر نکلنا شروع ہوا، اسے کورونا کی عالمی وباء کا سامنا کرنا پڑ گیا۔ حکومت پاکستان نے بہت سے امدادی اقدامات اٹھائے جن میں ملک گیر لاک ڈاؤن، سماجی دوری اختیار کرنا اور وائرس کی روک تھام کے لیے سفری پابندیاں شامل تھیں۔ اس سے تیار کنندگان، پرچون فروش، ٹرانسپورٹ اور دیگر تجارتی و کاروباری سرگرمیوں میں خلل پڑا جس سے ملک کے بڑے معاشی اشاریے سخت متاثر ہوئے۔

قیام پاکستان کے 68 برسوں میں پہلی بار پاکستان کی مجموعی ملکی ترقی (GDP) کو مالی سال 2020 میں منفی 0.4 ریکارڈ کیا گیا۔ معیشت کو سہارا دینے کے لیے وفاقی حکومت نے 1.2 کھرب روپے کا معاشی پیکیج دیا اور سٹیٹ بینک آف پاکستان نے پالیسی ریٹ کو 13.25% سے کم کر کے 7% کیا۔ اسی دوران مختلف امدادی اقدامات متعارف کرائے گئے جن میں قرضہ واپسی میں توسیع اور ری سٹرکچرنگ پیکیج شامل ہے۔ سال کے زیادہ تر عرصے میں نجی شعبے کے کاروباری قرضوں میں کمی کا رجحان رہا۔ اندرون ملک ستمبر 2020 میں بیکاری کے شعبے میں نقصان زدگی کی شرح 9.9% تک پہنچ گئی جو کہ سال کے شروع میں 8.6% تھی۔ سرمائے کی منڈی بہت زیادہ اتار چڑھاؤ کا شکار رہی۔ اس مشکل ماحول میں کمپنی کی اولین ترجیح سرمائے کا تحفظ تھا۔

سرمائے کی منڈی میں نقصانات کو کم از کم سطح تک محدود رکھا گیا اور سٹاک کی پوزیشن کو ہر ممکن حد تک تشکیل نو کی گئی۔ مارکیٹ میں خسارے اور غیر فعال قرضوں کی دوبارہ قدر پیمائی کے لیے کمپنی نے ضروری اقدامات اٹھائے۔ بڑھتی ہوئی نادہندگی اور غیر یقینی فضا کو دیکھتے ہوئے طویل مدتی قرضوں میں احتیاط پر مبنی طرز عمل اختیار کیا گیا۔ سٹیٹ بینک آف پاکستان کی گائیڈ لائنز کے مطابق قرض دینے کے عمل کی کڑی نگرانی کی گئی اور 90% بہتر کارکردگی دکھانے والے قرضوں کی تشکیل نو کی گئی۔ انتظامی کوششوں اور ضابطے کے ریلیف اقدامات کی وجہ سے غیر فعال قرضوں کے بوجھ میں مزید اضافہ نہیں ہوا۔

مارکیٹ کے موجودہ حالات کے باوجود بہتر وصولیوں کے سبب مجموعی غیر فعال قرضہ جات 4% کم ہو گئے۔ جب کہ خالص غیر فعال قرضہ جات 25% کم ہو گئے۔ گرتی ہوئی شرح سود کے تحت نادہندگی سے پاک سرکاری سیکیورٹیز میں سرمایہ کاری میں اضافہ کیا گیا۔

کمپنی نے کورونا کی وباء کی صورتحال پر کڑی نظر رکھی اور اپنے عملے کی حفاظت کے لیے تمام ضروری اقدامات فوری طور پر اٹھائے گئے لہذا کمپنی بلا تعطل چلتی رہی اور ان نازک حالات میں بھی کاروباری معاملات تسلسل سے جاری رہے۔

اسٹیٹ بینک آف پاکستان کی ہدایات کے مطابق کورونا کے عروج کے دوران اوقات کار کا دورانیہ کم کر دیا گیا۔ کام کی جگہوں پر اجتماع کو روکنے کے لیے ملازمین کو روسٹر سسٹم کے تحت باری باری دفتر بلایا گیا۔ بایو سیفٹی کے اقدامات کو بڑھانے کے لیے سپرے وارنٹل، درجہ حرارت چیک کرنے، سینیٹائیز کرنے کے معمولات میں اضافہ، ماسک لگانے پر سختی کی گئی اور چھوئے بغیر حاضری لگانے کا طریقہ کار سعودی پاک ٹاور اور اس کے دفاتر میں اپنایا گیا تا کہ کورونا کے پھیلاؤ کو روکا جا سکے۔ ای میل / سرکلرز کے ذریعے ملازمین کی آگاہی کو مسلسل بڑھایا گیا۔

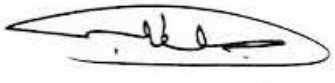
سال 2020 کے دوران کمپنی کے کل اثاثے 30 فیصد اضافے کے ساتھ 48.2 ارب روپے ہو گئے جس کی بڑی وجہ بلند منافع کی حامل گورنمنٹ سیکیورٹیز میں زیادہ سرمایہ کاری ہے۔ اس کے نتیجے میں خالص آمدنی 30 فیصد اضافے کے ساتھ 992.2 ملین روپے، سرمائے کی منڈی سے آمدنی 86% بڑھ کر 383.7 ملین روپے ہوئی۔ کمپنی نے سوچ وبچار کے ساتھ 340.3 ملین روپے غیر فعال قرضوں کی پیش بینی کی مد میں رکھے۔ ٹیکس کے بعد منافع 131 فی صد بڑھ کر 616.3 ملین روپے ہوا۔ ایک انتہائی مشکل دور میں یہ نہایت شاندار کارکردگی ہے۔

کمپنی کی مجموعی ریسک پروفائل بشمول آپریٹنگ نتائج اور مالیاتی لچکداری کی توثیق بیرونی کریڈٹ ریٹنگ ایجنسی VIS نے کی ہے جو کہ کمپنی کی طویل مدتی اینٹی ٹی ریٹنگ کو +AA برقرار رکھے ہوئے ہے جب کہ شارٹ ٹرم ریٹنگ A-1+ مع مستحکم تناظر میں ہے۔

آگے بڑھتے ہوئے جیسا کہ معیشت میں بحالی کے آثار نظر آ رہے ہیں کمپنی ایسی اچھی پوزیشن میں ہے کہ مستقبل میں دستیاب مواقع سے پورا فائدہ اٹھا سکے۔ ہماری توجہ کا مرکز پروجیکٹ فنانس کا بنیادی کاروبار ہی رہے گا۔ بورڈ اس کے منصوبوں کی مضبوط پیش قدمی کے لیے انتظامی معاونت کے لیے موجود ہے۔

آخر میں، میں اپنی اور بورڈ کی طرف سے اپنے جوائنٹ وینچر پارٹنرز، مملکت سعودی عرب اور اسلامی جمہوریہ پاکستان کی مسلسل معاونت اور سٹیٹ بینک آف پاکستان کے ساتھ ساتھ سیکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان سے پیشہ ورانہ رہنمائی پر ان کا تہ دل سے شکریہ ادا کرتا ہوں۔

میں بورڈ کے ممبران کی جانب سے ان کے گرانقدر کردار پر شکریہ ادا کرتا ہوں۔ علاوہ ازیں میں مشکل ترین معاشی حالات میں سعودی پاک ٹیم کی شاندار کارکردگی پر انہیں مبارک باد پیش کرتے ہوئے فخر محسوس کرتا ہوں۔



سلطان عبدالرؤف

چیئرمین

KING ABDULLAH UNIVERSITY
OF SCIENCE AND TECHNOLOGY

King Abdullah University of Science and Technology is a private research university located in Thuwal, Saudi Arabia. Founded in 2009, the university provides research and graduate training programs in English as the official language of instruction. KAUST is the first mixed-gender university campus in Saudi Arabia.

DIRECTORS' REPORT

Economic Overview

Similar to other countries across the globe, the year 2020 was a difficult year for Pakistan's economy. As Pakistan began to emerge from the economic challenges experienced during 2019, it was confronted by the global COVID-19 pandemic. The Government of Pakistan adopted measures such as nationwide lockdowns, social distancing and travel restrictions for containing the virus. This disrupted manufacturing, retail, transport and trade-related activities which had a severe effect on macroeconomic indicators of the country. For the first time in 68 years, Pakistan's real GDP recorded a negative growth of 0.4 percent for FY20. Overall industry contracted by 2.6%, with Large-Scale Manufacturing (LSM) registering the largest decline of 7.8%. Services sector also posted a decline of 0.6%, and improved growth in agriculture of 2.7% was not sufficient to keep the overall economy from contracting.

During this difficult period, the federal government took necessary steps to support the economy by announcing a stimulus package of Rs. 1.2 trillion along with Prime Minister Package for Construction Sector. The State Bank of Pakistan (SBP) also slashed the policy rate from 13.25% to 7%, and introduced relief measures such as Loan Extension and Restructuring Package, SBP Rozgar Scheme (Salary Financing Scheme), and Temporary Economic Refinance Facility. These measures were complemented by a decline in daily COVID-19 cases that allowed eventual lifting of lockdowns. Consequently there was an encouraging pickup in business activity during the second-half of the year, with Large-Scale Manufacturing exhibiting a broad-based growth of 8.2% during the period Jul – Dec 2020.

On the external front, the position improved as Current Account Deficit (CAD), which had narrowed from 13.4 billion USD in FY19 to 3.0 billion USD in FY20, subsequently transformed into a surplus of 1.1 billion USD during Jul – Dec 2020.

Primary driver was workers' remittances which clocked in a sizable growth of 25% during Jul – Dec 2020, building on the 6% growth witnessed in FY20. IMF's Rapid Financing Facility of USD 1.4 billion along with temporary debt relief under the G20 Debt Service Suspension Initiative further helped cement net foreign exchange reserves with SBP, which closed the year 18% higher at USD 13.4 billion. Consequently, exchange rate depreciation was contained to 3.2% viz-a-viz the USD during the year.

Headline inflation which opened at 12.6%, dropped to 8-9% range as a result of depressed economic activity and oil prices. Core inflation also remained muted, closing at 5.6%. Capital markets remained highly volatile, with the stock market index KSE-100 falling by up to 37% from its peak, before posting a decent recovery, closing the year overall up by 7.4%. The yield curve transformed its shape from inverted at the start of the year, to moderately upward sloping by end of year, indicating market expectations that interest rates have bottomed out.

Private sector credit to businesses had a downward trajectory for most of the year, decreasing by up to Rs. 165.3 billion, before posting a recovery of Rs. 361.1 billion in the last four months. The banking sector remained resilient as its earnings, capital and liquidity buffers improved despite rising infection levels, with gross infection ratio touching 9.9% by Sep-20, from 8.6% as on start of year.

Moving forward, domestic recovery is expected to continue its trajectory against official growth target of 2.1%. Import activities have ramped up in order to meet local demand which could pressure the current account, however this is expected to be manageable. The State Bank of Pakistan has projected a relatively benign inflation outlook and is maintaining an accommodative monetary policy stance, while indicating that as the recovery becomes more durable and the economy returns to full capacity, any adjustments in the policy rate are expected to be measured and gradual. The economic outlook remains subject to uncertainties such as the prevailing COVID-19 pandemic, external risks, fiscal imbalance, energy & commodity prices, and geopolitical environment.

Operational Review

Corporate Finance

During 2020, COVID-19 has posed significant challenges for Pakistan's economy wherein a new paradigm of doing business is emerging as businesses are coping with the severity of the pandemic's effects. Bearish investor sentiment resulted in negative GDP growth for FY 2020 and meagre YoY growth of 1% with respect to banking sector advances till September 2020. In order to stabilize the economy and prevent further setbacks, the State Bank of Pakistan slashed policy rate from 13.25% to 7% and introduced various financing schemes. Nevertheless, disrupted commercial activities, targeted lockdowns and renewed upticks in COVID-19 infections contributed towards banks/DFIs adopting a highly conservative approach in extending new advances.

In light of the aforesaid, Saudi Pak also remained extremely cautious and maintained its focus towards effective, yield-centric business opportunities by diversifying its client base with top-to-mid tier clients alongside booking quality assets in growth sectors including chemicals, textile, oil & gas and financial services. Furthermore, CFD tapped new SME clients as well in line with SBP's patronage of this sector.

Fading effects of the pandemic's shocks coupled with expected single digit discount rates may improve the economic landscape in the coming year. Sustaining the nascent recovery will however require the right mix of fiscal & monetary policies and effective PSDP utilization. These factors may drive improvement in private credit off-take as well as open prospects for fruitful corporate financing & investment banking business opportunities. During 2021, Saudi Pak will aim to capitalize on available prospects and expand its project financing portfolio by soliciting quality bilateral and syndicated transactions meeting Saudi Pak's Risk and Reward standards.

Credit Administration

The prime function of Credit Administration Division (CAD) is monitoring of regular advances and TFCs extended by Saudi Pak. It aims to ensure timely re-payments against credit facilities. Monitoring functions also include compliance of regulatory requirements, updating customers' risk ratings, collateral valuations etc.

Consequent to spread of COVID-19 pandemic, 2020 proved one of the most challenging years for economy in recent past. Industry and trade either remained completely shut down for many months or operated at nominal capacity. This state of affairs adversely affected repayment capacity of Saudi Pak clients. Central Bank took some mitigating measures like deferment of principal repayments, reduction in discount rate etc. to ease pressure on cash flow of customers.

Notwithstanding the difficulties emanating due to COVID-19, Credit Administration Division (CAD) performed exceptionally well and made significant contribution to company's income during 2020. Against total recoverable amount of Rs. 1,976 million, recovery of Rs.1,031 million was effected in 2020 leading to Recovery Percentage of 98 percent. Credit Administration Division also made significant contribution to company's income during 2020 by way of restructuring of problem account thereby curtailing provision expenses etc.

CAD plans to gear itself during 2021 for further improvement in its operational efficiency as well as capacity building of its staff.

Special Asset Management

Curtailment of Non Performing Loans (NPLs) through workable settlement/re-structuring arrangements and balance sheet cleansing is major component of business activity of Special Assets Management Division (SAMD).

Despite challenging economic environment prevailing in 2020 on the back of COVID-19 pandemic, SAMD made significant contribution towards Saudi Pak's profit by way of settling the cases through rescheduling/restructuring and out of court agreements. SAMD recovered Rs. 159 million from NPLs showing 20 percent improvement as compared to last year i.e. 2019. SAMD also traced valuable residential properties/listed shares in the names of defaulters/guarantors. Applications have been lodged in courts for attachment/auction of traced properties.

During 2021, Special Asset Management Division intends to make further concerted efforts for recovery, cleansing of balance sheet through decrees executions and striking off negotiated settlement deals.

KING FAISAL UNIVERSITY

King Faisal University was founded in 1975 by royal decree with main campus in the city of Hofuf in Al-Ahsa, Saudi Arabia. It is one of the oldest and admirable higher education and research public university in the nation. The university offers undergraduate, postgraduate, research centers, e-Learning and distance education. Covering a large genre of important specialties, King Faisal University offers a total of 86 academic programs.

Capital Market Operations

Pakistan Stock Exchange was no exception to the COVID-19 impact. During 1Q2020 KSE-100 Index declined by 33.60%. GDP growth contracted witnessing negative growth in FY2019-20, which was the first negative growth in 68 years.

To address pressures of the pandemic, the Government implemented several stabilization measures including efforts to introduce schemes aimed at supporting the liquidity needs of businesses and the State Bank of Pakistan (SBP) sharply reduced its key policy rate by a cumulative 625 basis points starting from mid-March to June. Improving external and fiscal sector indicators supported sentiment with current account showing surplus in July-December 2020 period. Consequently, despite high volatility witnessed in the wake of COVID-19 pandemic and its effect on economic activity domestically and globally, the Benchmark KSE-100 Index posted return of 7.41% at year-end.

Saudi Pak's Portfolio Management Division (PMD) formulated strategy of rebalancing portfolios, capital preservation and booking capital gains opportunistically for 2020. On gross and net of impairment basis PMD realized income was Rs. 499 million and Rs. 282 million respectively.

On relative return basis, Saudi Pak Listed Common Stock Portfolio posted return of 10.41% against PSX return of 7.41%, for CY2020.

Going forward, overall market outlook remains cautiously optimistic in terms of post COVID-19 vaccine availability, macro-economic indicators improvement, expected improvement in FATF and IMF reviews and global economic revival.

Treasury Operations

Treasury Division in the year 2020 efficiently managed both borrowing and placement portfolios by maintaining an active presence in the money market. Fresh funds arranged by Treasury and inflows received from recovery of loans were channelized to enhance the Treasury Portfolio.

On the back of uncertain economic environment prevailing during the year, Treasury Division substantially increased its investment in Govt. Securities. On the sustainable fund mobilization side, Treasury Division continued its efforts towards meeting this critical operational goal. Mobilization of long term and short term funding lines from commercial banks continued along with periodic servicing of repayments against the existing finances. As an alternative funding source, new cost effective COI deposits were also enlisted successfully.

Overall, Treasury contributed in a sizeable manner of around Rs.500 million to Company's income during 2020 through net interest income and capital gains.

Moving forward, the State Bank of Pakistan has projected a relatively benign inflation outlook and is maintaining an accommodative monetary policy stance, while indicating that as the recovery becomes more durable and the economy returns to full capacity, any adjustments in the policy rate are expected to be measured and gradual. In light of changing macro-economic dynamics, Treasury Division in 2021 will continue to focus on optimizing the risk and reward of Investment portfolio.

Settlement Division

Saudi Pak's Settlement Division primarily performs independent execution of Money Market transactions and management of inter-bank settlements within the framework of payment system of State Bank of Pakistan. Settlement Division also provides a pivotal support in renewals, securitization and redemption of credit lines obtained from commercial banks.

Sustainable liquidity lines and their time efficient utilization are essential to optimize business requirement. Accordingly, renewals of short term credit lines from commercial banks were carried out in addition to draw down of fresh long term funding lines.

Saudi Pak is a member institution of Real Time Gross Settlement System (RTGS) of State Bank of Pakistan and has deployed necessary IT based infrastructure to cater the requirements of this interactive payment mechanism. Our RTGS Desk actively participates in settlement of inter-bank trades as direct participant and benefits from cooperation of both the regulator and the counter-parts.

Settlement Division also made crucial contribution in achieving business continuity and smooth settlements of daily business of inter-bank trades amid challenging times during COVID-19 lock down during the second and third quarters of 2020. An alternate connectivity with SBP systems and back-up infrastructure helped to achieve continuity of this essential function. During 2021, Settlement Division plans to further improve its operational efficacy thereby making significant contribution to Company's overall performance.

Risk Management Framework

Saudi Pak is in the business of taking risks in order to meet its corporate objectives. Recognizing that sound management of these risks is essential for achieving business goals while maintaining financial viability, Saudi Pak has instituted a robust risk management framework that has been refined over the years. Under the overall purview of the Board of Directors and its Risk Management Committee, the necessary risk policies, procedures, limits, reporting mechanisms and independent control functions are in place, in line with regulatory requirements.

Over the course of the year, despite challenging environment, fresh build-up of non-performing portfolio was averted through regulatory relief measures, proactive monitoring and strict adherence to risk management standards. The Risk Management Division independently reviewed credit proposals and ratings. Portfolio concentrations and risk levels were closely monitored. Parallel run of IFRS 9 was successfully executed. A comprehensive environmental risk management methodology was introduced. Active oversight by the Middle Office served as an independent check to ensure that Treasury & Capital Markets exposures remained within approved risk parameters.

On an enterprise level, integrated risk profile was assessed using the Basel Framework, Internal Capital Adequacy Assessment Process, and stress testing. Saudi Pak's Capital Adequacy Ratio remained well above both internal as well as regulatory requirements throughout the year, providing ample cushion to absorb unexpected losses. Stress testing exercises carried out during the year also revealed that Saudi Pak maintained a solid and resilient capital and liquidity position even under stress.

Information Technology

Information technology is a key contributor to the growth of the company by managing its IT Infrastructure, strategic initiatives for accelerating business development. To facilitate IT development, the Company is strengthening the existing facilities and integrating management information system of the company to decision support systems, re-engineering of the legacy system and building capacity for growth.

During 2020, several initiatives were taken by Information Technology Division to improve the IT infrastructure by adopting evolving technologies along with successful up-gradation of business solutions for the Company.

Security Controls have also been strengthened to avoid potential impacts of Cyber Attacks, ensuring the resilience and preparedness to combat the impact of pandemic situation due to upsurge of online operations and communication. In this regard, specialized training / awareness sessions have also been conducted on Technology Governance and Implementation of Best Practices to provide insight to the business leaders, compliance professionals and related stakeholders who are involved in governance, best practices and security implementation.

In view of pandemic situation, implementation for BCP/ DR Site has also been transformed with changing trends of the prevailing environment, to continue the critical business operations and to cope with the localized or global disasters.

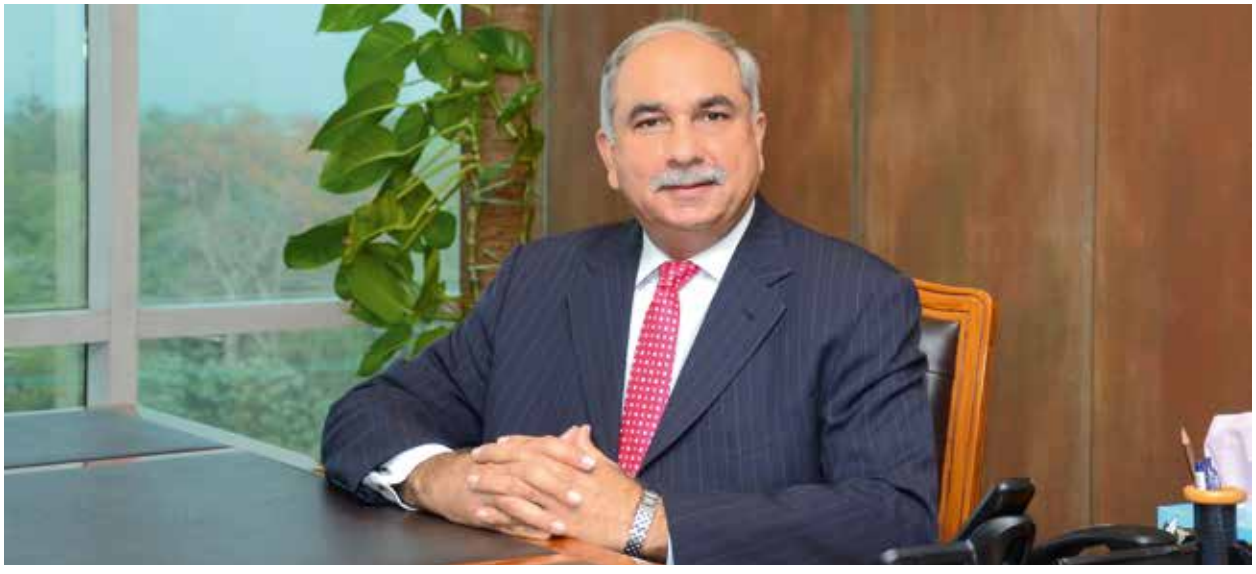
Human Resource

The Human Resource Division is dedicated to serving the needs of our employees, providing helpful systems and solutions, and delivering an exceptional employee experience. The COVID-19 pandemic has impacted all of us and calls for rapid and yet well-considered actions, including in the area of HR.

HR had to pivot quickly to assist the organization in navigating through the emerging challenges due to COVID-19. To meet the urgent needs and ensure uninterrupted business activity HR quickly developed and implemented a wide range of policies, programs, and procedures to respond to COVID-19 crisis.

During this time of change and despite the challenges posed by the COVID-19, HR also supported employees by ensuring its essential services are continued without disruption and the same time keeping employees engaged and motivated through engagement activities while ensuring all SOPs and precautionary measures.

It is already evident that the COVID-19 pandemic will have extensive impact on the working world and has accelerated the adoption of new work methods. No matter what the future holds, HR pledges to meet the challenge with new policies, services, and assistance that our people and the Company need to meet the business goals and objectives more efficiently and effectively.



Regional Office - Lahore

Regional Office - Karachi & Treasury Division

Internal Audit

The year 2020 was a challenging year from the very beginning. The COVID-19 pandemic affected all walks of life, posing numerous business risks. In order to perform its duties effectively, the Internal Audit Division of Saudi Pak adapted quickly to the new norms of conducting the business meanwhile keeping the survivability as the top most priority.

During the year, the Internal Audit Division performed all its assignments in line with the risk based audit plan and the approved internal audit strategy. It raised several quality audit observations and made necessary control enhancing suggestions. Besides the planned tasks, the Internal Audit Division provided various advisory services to the Management and also got its first ever external assessment done, as required by the SBP, through an Independent Consultant with satisfactory results. Furthermore, staff members, posted in the Internal Audit Division, were given the relevant trainings during the year, enabling them stay abreast with the latest developments in the internal audit profession as well as financial sector.

While hoping for a future without the pandemic, the IAD endeavours to provide quality value add services to the Company through its unfaltering resolve and commits to evolve in these testing times through continuous improvements.

ENTITY RATING

Saudi Pak's long term and short term entity rating has been assessed by VIS Credit Rating Company Limited. Long Term entity rating has been reaffirmed at AA+ (Double A Plus) and Short Term entity rating reaffirmed at A-1+ (A One Plus). Outlook on assigned rating has been "Stable".

Credit Rating

By VIS Credit Rating Company Limited.

Long Term

AA+

Short Term

A-1+

Outlook

STABLE

AA+

High credit quality. Protection factors are strong. Risk is modest but may vary slightly from time to time because of economic conditions.

A-1+

Highest certainty of timely payments. Short Term liquidity, including internal operating factors and/or access to alternative sources of funds, is outstanding and safety is just below risk free Government of Pakistan's Short Term obligations.

Corporate and Financial Reporting Framework

The Directors are pleased to state that:

a) The financial statements, prepared by the management of the Company, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.

b) Proper books of accounts of the Company have been maintained.

c) Appropriate accounting policies have consistently been applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.

d) International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure there from has adequately been disclosed.

e) The system of internal control is sound in design and has been effectively implemented and monitored. An audit committee, composed of four non-executive directors, has been formed for the purpose. The Committee meets periodically and independently throughout the year.

f) There are no significant doubts upon the Company's ability to continue as a going concern.

g) There has been no material departure from the best practices of corporate governance.

h) Key operating and financial data for the last five years, in summarized form, is included in this annual report.

i) There are no statutory payments on account of taxes, duties, levies and charges which are outstanding as of December 31, 2020, except as disclosed in the financial statements.

j) The value of investment of Provident Fund as at December 31, 2020 according to their audited financial statement is approximately Rs.102.00 million (2019: Rs.88.00 million).

Auditors

The Auditors, M/s A. F. Ferguson & Company, Chartered Accountants, have completed their assignment for the year ended December 31, 2020 and shall retire on the conclusion of 39th Annual General Meeting. The Board on the suggestion of the Audit Committee recommends the appointment of M/s KPMG Taseer Hadi & Co., Chartered Accountants as statutory auditors of the Company for the year 2021.

Board of Directors Meetings

During the year, five meetings of the Board of Directors were held and attended by the directors as follows:

Name of Directors	Number of meetings held during the tenor of Directorship	Number of meetings attended during the tenor of Directorship
Mr. Sultan Abdulrauf	05	05
Mr. Zafar Hasan	05	05
Mr. Majid Misfer J. Alghamdi	05	05
Mr. Mohammad Tanvir Butt	05	05
Mr. Ghanem Alghanem	04	04
Mr. Qumar Sarwar Abbasi	05	05

During the year, three meetings of the Risk Management Committee of the Board were held and attended by the directors as follows:

Name of Directors	Number of meetings held during the tenor of Directorship	Number of meetings attended during the tenor of Directorship
Mr. Zafar Hasan	03	03
Mr. Majid Misfer J. Alghamdi	03	03
Mr. Qumar Sarwar Abbasi	03	03
Mr. Ghanem Alghanem	03	03
During the year, four meetings of the Audit Committee of the Board were held and attended by the directors as follows:		
Mr. Majid Misfer J. Alghamdi	04	04
Mr. Mohammad Tanvir Butt	04	04
Mr. Ghanem Alghanem	02	02
Mr. Qumar Sarwar Abbasi	04	04
Mr. Rayyan M. H. Nagadi	01	01
During the year, two meeting of the Human Resource and Remuneration Committee of the Board were held and attended by the directors as follows:		
Mr. Sultan Abdulrauf	02	02
Mr. Zafar Hasan	02	02
Mr. Mohammad Tanvir Butt	02	02
Mr. Majid Misfer J. Alghamdi	02	02

The categories and pattern of shareholding as required by the Companies Ordinance, 1984 are included in this Report. The Government of Pakistan and the Kingdom of Saudi Arabia hold the shares of the Company in equal proportion.

Green Banking Initiatives:

Saudi Pak understands its responsibility in protecting the environment and conserving natural resources. We are cognizant of the environmental consequences of our actions and work towards developing a sustainable business that benefits all our stakeholders. In line with the State Bank of Pakistan's framework and guidelines for green banking, Saudi Pak has taken number of initiatives e.g. raising awareness regarding possible avenues for reducing carbon footprint of the company. In this regard, an orientation session on implementation of Green Banking practices was conducted in collaboration with WWF.

Another initiative this year was distribution of air purifier plants among the employees to raise awareness and promote eco friendly practices. Moreover, we are practicing and encouraging paperless environment and E-learning sessions at workplace that helps to minimize the cost and save time while making the processes more effective and efficient. Saudi Pak believes in taking care of the society to grow our business sustainably and make a positive difference.

Future Outlook

On the back of successful implantation of its revival strategy, Saudi Pak is now vigorously pursuing emerging economic opportunities in the country. During 2021, focused efforts shall be made towards availing business proposals having acceptable risk and reward relationships.

Acquisition of enabling technologies and requisite human skills through fresh hiring will continue to remain a priority.

Corporate Social Responsibility

As a fully committed corporate citizen of the country Saudi Pak is well aware of its social responsibilities. Saudi Pak has already adopted "Corporate Voluntary Guidelines 2013" issued by the Securities and Exchange Commission of Pakistan. During 2020, Saudi Pak made substantial donations to a welfare organization working for socio economic empowerment of women living in the rural and urban slums of the country, Marie Adelaide Leprosy Center and an organization working for child protection.

Strategic Investments

Saudi Pak's strategic investments include Saudi Pak Real Estate Limited and Saudi Pak Leasing Company Limited.

I. Saudi Pak Real Estate Limited (SPR)

Saudi Pak Real Estate Limited (SPR) is a wholly owned subsidiary of Saudi Pak. The principal business of the Company is investment in properties, property management services, investment in joint ventures and other related services.

During last few years the Real Estate market remained under pressure primarily due to change in fiscal policies and higher interest rate environment. FY2020 proved difficult considering Covid-19 related lockdowns, however, real estate market revived on announcement of government's construction package incentive and sharp reduction in interest rates during 2020.

Going forward, now with the status of industry, real estate sector is expected to improve with regularization of issues by government such as revaluation of property prices, rationalization of capital gain tax, reduction in project approval time and subsidy for housing/ mortgage finance, SPR on its part intends to adapt well thought strategy during 2021 to augments stakeholder's value.

II. Saudi Pak Leasing Company Limited (SPLC)

Saudi Pak Leasing Company Limited (SPLC) is an associated concern. The main business activity of the Company is leasing of assets. The Company is listed on the Pakistan Stock Exchange.

SPLC, post financial meltdown of 2008, has struggled like most other leasing companies. Saudi Pak is actively looking to divest its investment and has appointed financial advisor for the said purpose.

Head Office Building

Saudi Pak owns a twenty storey High Rise Building in Islamabad known as Saudi Pak Tower. The building, constructed in the year 1991, is known as a landmark of Islamabad.

Saudi Pak Tower was awarded standardization certification of ISO 9001:2008 in the year 2012 after completion of re-certification surveillance process audits and implementation, maintaining the Quality Management System of overall building management, its allied services.

A major portion of the building is rented out. Several national and multinational companies including financial institutions, telecommunication companies, clinical service oriented concerns etc are housed in the Tower. Building average occupancy level during the year 2020 remained 100% translating revenue of Rs.417 million as compared to Rs.380 million in the year 2019.

The year 2020 was very challenging due to the COVID-19 pandemic, which severely affected the physical presence of tenants in the tower as most offices were closed and employees worked remotely. Our staff ensured safety and security of all tenants and staff by implementing strict measure to combat the spread of the virus:-

Head Office Building Department consistently strives to bring further improvement for the betterment in overall building services. Several building improvement works were completed during the year 2020. It is our endeavor to maintain leading position of Saudi Pak Tower amongst other high-rise buildings in Islamabad.

Financial Results – 2020

Year 2020 has so for been dominated by outbreak of the novel coronavirus , COVID 19. In this challenging environment, the Company's prime focus remained on capital preservation. Capital market positions were managed to minimize losses; stock portfolio was reconfigured and rationalized wherever possible. Company prudently made necessary provisions against mark to market revaluation deficits and non-performing loans. Cautious approach was adopted in project finance business given higher risk of defaults and uncertainty. Credit exposure was closely monitored and ninety percent of the performing portfolio was restructured as per SBP guidelines. Management efforts and regulatory relief measures prevented further build up of non-performing loans. Aggregate gross classified credit exposure came down by 3% while gross non-performing loans by 4% due to recoveries made despite prevailing market conditions, and net non-performing loans were brought down by 26%. Exposure was built-up in default-risk free government securities under falling interest rate environment.

During the year company's total assets increased by 30.1% to Rs. 48.2 billion mainly due to increased investment in high yielding government securities. As a result, Net Interest Income increased by 30.0% to Rs. 992.2 million. Income from Capital Markets increased by 86.4% at Rs. 383.7 million. Other income which mainly comprises of net rental income, increased by 10.2% to Rs 224.4 million. Overall non interest income increased by 43.5% to Rs 611.5 million. Administrative expenses were lower despite high inflation as a result of effective expense management. Company prudently made net provisions of Rs. 340.3 million primarily against Non Performing Loans.

Overall as a result, pre-tax profit increased by 99.8% to Rs 808.8 million and after tax profit increased by 130.7% to Rs 616.3 million. Core shareholder's equity increased by 6% whereas aggregate shareholder's equity remained at previous year's levels due to mark to market diminution in the value of Available for Sale (AFS) Securities as at December 31, 2020.

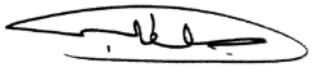
The summarized financial results and recommendation for appropriations are as under:

	2020	2019
	Rupees	Rupees
Un-appropriated/un-remitted profit brought forward	2,795,778,45	2,843,304,042
Profit after tax for the year	616,250,201	267,072,281
Surplus on revaluation of fixed assets	65,947,104	68,180,794
Other comprehensive income related to equity	(939,717)	635,793
Profit available for appropriations	**3,477,036,042**	**3,179,192,910**
Appropriations:		
Transfer to reserve funds	123,250,040	53,414,456
Transfer to general reserve	-	-
Dividend paid	-	330,000,000
Total appropriations	123,250,040	383,414,456
Un-appropriated/un-remitted profit	**3,353,786,002**	**2,795,778,454**

Acknowledgement

The Board wishes to place on record its appreciation of the hard work and dedication of the management, officers and staff of the Company.

For and on behalf of the Board of Directors



Islamabad
February 27, 2021

Chairman

مالیاتی نتائج اور سفارشات کا خلاصہ درج ذیل ہے۔

	2020	2019
	روپے	روپے
غیر مختص شدہ یا سابقہ منافع جو آگے لایا گیا	2,795,778,454	2,843,304,042
منافع بعد از ٹیکس برائے سال	616,250,201	267,072,281
غیر منقولہ اثاثوں کی قدر پیمائی پر سرپلس	65,947,104	68,180,794
دیگر ایکویٹی سے متعلق جامع آمدنی	(939,717)	635,793
اختصاص کے لیے دستیاب منافع	**3,477,036,042**	**3,179,192,910**
اختصاص		
ریزرو فنڈز کو منتقلی	123,250,040	53,414,456
عام ریزرو کو منتقلی	-	-
ڈیویڈنڈ کی ادائیگی	-	330,000,000
کل اختصاص	123,250,040	383,414,456
غیر مختص شدہ یا غیر منتقل شدہ منافع	3,353,786,002	2,795,778,454

اظہار تشکر

بورڈ کی یہ خواہش ہے کہ کمپنی کی انتظامیہ، افسران اور عملے کی انتھک محنت اور لگن کو خراج تحسین پیش کیا جائے جو ہماری کامیابی کا ستون ہیں۔

بورڈ اور بورڈ آف ڈائریکٹرز کی جانب سے

چیرمین

اسلام آباد:

فروری 27، 2021

ڈائریکٹرز رپورٹ

معاشی جائزہ (Economic Overview)

دنیا کے دوسرے ملکوں کی طرح، سال 2020 پاکستانی معیشت کے لیے بھی ایک مشکل سال تھا۔ پاکستان سال 2019 کی معاشی مشکلات سے نکلنے والا ہی تھا کہ اسے کوویڈ-19 کی عالمی وبا نے آلیا۔ حکومت پاکستان نے کورونا وائرس کی وبا کو پھیلنے سے روکنے کے لیے ملک بھر میں لاک ڈاؤن، سماجی دوری اختیار کرنے اور سفری پابندیوں جیسے اقدامات کیے۔ جس سے ملک کے بڑے اقتصادی اشاریوں پر منفی اثر پڑا۔ ملک کی 68 سالہ تاریخ میں پہلی بار معاشی نمو منفی 0.4 ریکارڈ کیا گیا۔ مجموعی طور پر صنعتی نمو 2.6% اور لارج سکیل مینوفیکچرنگ (ایل ایس ایم) میں سب سے زیادہ 7.8% کی گراوٹ دیکھنے میں آئی۔ خدمات کے شعبے میں بھی 0.6% کی گراوٹ ریکارڈ کی گئی جب کہ زرعی شعبے میں نمو میں 2.7% کا اضافہ دیکھنے میں آیا جو مجموعی معیشت کو بحران سے نکالنے کے لیے کافی نہیں تھا۔

اس مشکل دور میں وفاقی حکومت نے معیشت کو سہارا دینے کے لیے کچھ ضروری اقدامات کیے جن میں وزیراعظم کا تعمیراتی شعبے کے لیے 1.2 کھرب روپے کے پیکیج کا اعلان بھی شامل ہے۔ سٹیٹ بینک آف پاکستان نے پالیسی ریٹ 13.25% گھٹا کر 7% کر دیا اور قرضوں میں ریلیف اور ری سٹرکچرنگ، ایس بی پی روزگار سکیم (سیلری فنانس سکیم)، عارضی معاشی ریلیف کی سہولت جیسے اقدامات متعارف کروائے۔ ان اقدامات سے کوویڈ-19 کے روزانہ کیسز میں کمی دیکھنے میں آئی جس سے لاک ڈاؤن کا خاتمہ ہوا۔ اس کے نتیجے میں سال کی دوسری ششماہی کے دوران کاروباری سرگرمیوں میں حوصلہ افزا رجحان دیکھنے میں آیا اور لارج سکیل مینوفیکچرنگ میں جولائی تا دسمبر 2020 کے عرصے میں 8.2% کی وسیع البنیاد نمو دیکھنے میں آئی۔

بیرونی طور پر صورتحال بھی کافی بہتر ہوئی اور مالی سال 2019 میں جاری اکاؤنٹ کا خسارہ 13.4 ارب امریکی ڈالر سے گھٹ کر مالی سال 2020 میں صرف تین ارب امریکی ڈالر رہ گیا۔ اسی طرح جولائی تا دسمبر 2020 میں پاکستان کا جاری اکاؤنٹ 1.1 ارب امریکی ڈالر اضافی ہو گیا۔ اس کے بنیادی محرکات میں بیرون ملک کام کرنے والے پاکستانیوں کی جانب سے بھیجی گئی رقوم جن میں جولائی تا دسمبر 2020 کے عرصے میں 25% اضافہ ہوا۔ مالی سال 2020 میں آئی ایم ایف کی جانب سے 1.4 ارب امریکی ڈالر کی ریپڈ فنانس فیسلیٹی اور G-20 ممالک کی جانب سے قرضوں میں ریلیف کے سبب ملنے والی 6% نمو کے سبب سٹیٹ بینک آف پاکستان کے پاس زرمبادلہ کے ذخائر میں 18% اضافہ دیکھنے میں آیا اور زرمبادلہ کے ذخائر 13.4 ارب امریکی ڈالر ہو گئے۔ اس کے نتیجے میں زرمبادلہ کی شرح میں گراوٹ کو ڈالر کے مقابلے میں 3.2% کی سطح پر محدود رکھا گیا۔

معاشی مندی اور تیل کی قیمتوں میں کمی کے نتیجے میں مہنگائی کی شرح 12.6% سے کم ہو کر 8-9% رہ گئی۔ بنیادی مہنگائی کو بھی 5.6% کی سطح پر قابو میں رکھا گیا۔ سرمائے کی منڈی میں بہت اتار چڑھاؤ دیکھنے میں آیا اور اور سٹاک مارکیٹ اپنی بلند ترین سطح سے 37% تک گر گئی۔ بہرحال سال کے اختتام کی جانب کچھ بحالی کے ساتھ سٹاک مارکیٹ میں 7.4% بہتری آئی۔

سال کے شروع میں پیداوار میں کمی کے رجحان میں تبدیلی آئی اور وسطی سطح کا فنی رجحان سال کے آخر میں نظر آیا۔ اس کی وجہ سے مارکیٹ میں یہ توقعات پیدا ہوئیں کہ شرح سود میں اضافہ ہو سکتا ہے۔

سال کے دوران زیادہ ترنجی شعبے کی جانب سے کاروباری قرضوں میں کمی کا رجحان رہا اور ایسے قرضے کم ہو کر 165.3 ارب روپے تک رہ گئے تاہم بعد میں کچھ بہتری سے آخری چار ماہ کے دوران کاروباری قرضے بڑھ کر 361.1 ارب روپے ہو گئے۔ بیکاری کے شعبے میں لچک پذیری برقرار رہی اور مضمرات کی بڑھتی ہوئی سطح کے باوجود آمدنی، سرمائے اور لیکویڈیٹی کی سطحیں کافی بہتر رہیں۔ کل مضمرات کی سطح ستمبر 2020 میں 9.9% کو چھو رہی تھی جو کہ سال کے شروع میں 8.6% تھی۔

آئندہ کچھ عرصے میں توقع ہے کہ اندرون ملک معاشی بحالی حکومتی ہدف 2.1% کی جانب گامزن رہے گی۔ مقامی طلب پوری کرنے کے لیے درآمدی سرگرمیاں بڑھیں گی جس سے کرنٹ اکاؤنٹ پر دباؤ میں اضافہ ہوگا تاہم توقع ہے کہ یہ قابو میں رہے گا۔ سٹیٹ بینک آف پاکستان نے ملک میں مہنگائی کے تناظر کا ایک تخمینہ لگایا ہے اور ایک قابل برداشت مونیٹری پالیسی کو برقرار رکھنے کا تہیہ کیا ہوا ہے اور توقع ہے کہ جب معاشی بحالی زیادہ پائیدار ہو جائے گی اور معاشی سرگرمیاں بھرپور انداز میں شروع ہو جائیں گی تو پھر پالیسی ریٹ میں ردوبدل کا بھی امکان پیدا ہوگا۔ معاشی تناظر بہت سے عوامل پر منحصر ہے، جن میں کوویڈ-19 کی وبا، بیرونی خطرات، مالیاتی عدم توازن، توانائی اور روزمرہ اشیاء کی قیمتیں اور عالمی سیاسی حالات شامل ہیں۔

مالیاتی نتائج 2020

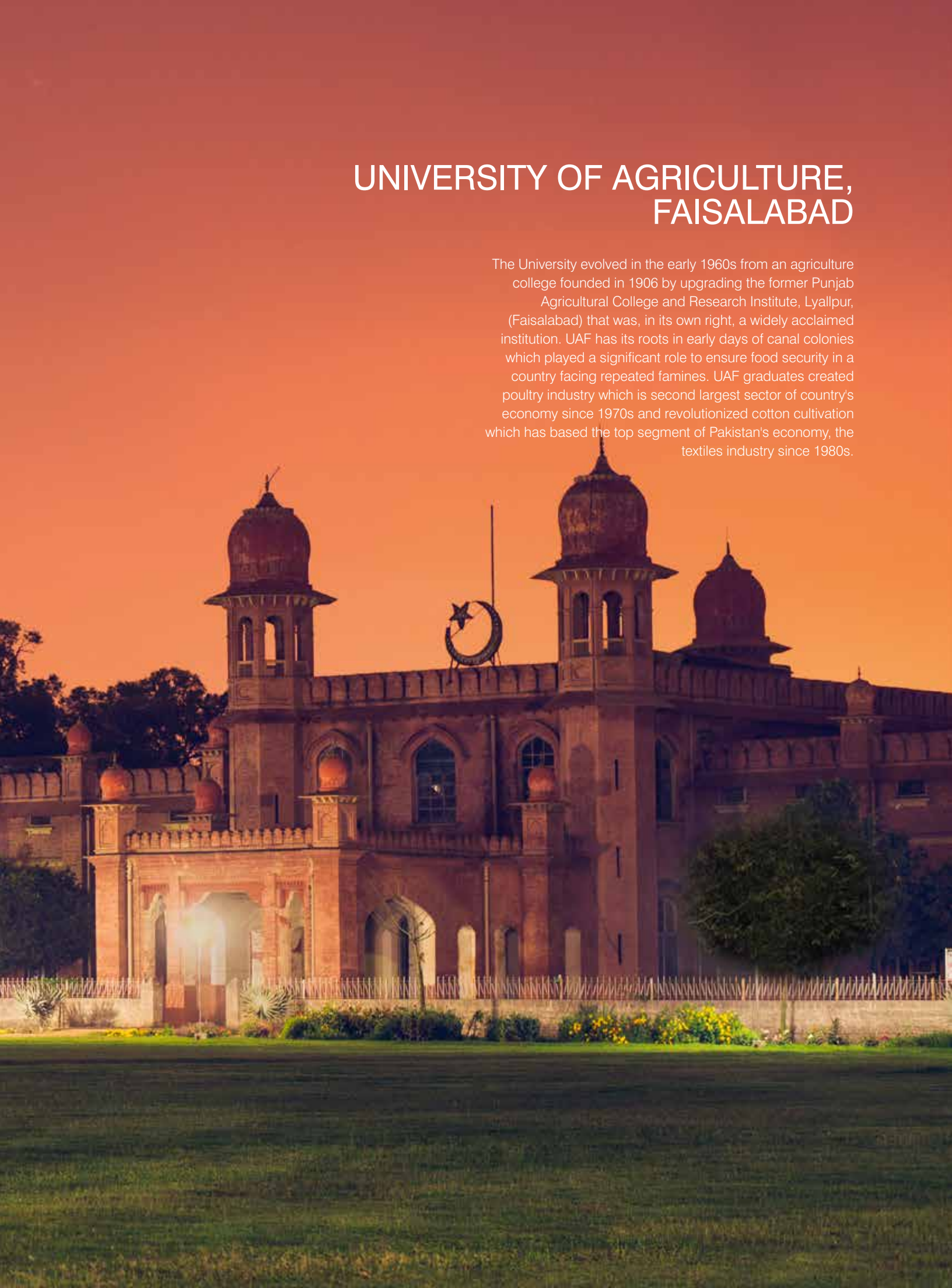
سال 2020 میں تقریباً پورا سال ہی کورونا وائرس کی وبا کا غلبہ رہا۔ اس مشکل ترین ماحول میں کمپنی کی سب سے زیادہ توجہ سرمائے کے تحفظ پر مرکوز رہی۔ جہاں تک ممکن ہوا سٹاک پورٹ فولیو کی تشکیل نو کی گئی۔ کمپنی نے غیر فعال قرضہ جات اور خساروں کی دوبارہ قدر پیمائی کے لیے ضروری رقوم مختص کیں۔ منصوبوں کے لیے کاروباری سرمایہ کاری میں انتہائی احتیاط کا مظاہرہ کرتے ہوئے نادہندگی اور غیر یقینی کے خطرات کو مدنظر رکھا گیا۔ قرضہ دینے کے عمل کی کڑی نگرانی اور سخت چھان بین کی گئی اور سٹیٹ بینک آف پاکستان کی گائیڈ لائنز کے مطابق 90% بہتر کارکردگی دکھانے والے قرضوں کی ری سٹرکچرنگ کی گئی۔ انتظامی کوششوں اور ضابطوں کے ریلیف کے اقدامات کی وجہ سے غیر فعال قرضہ جات کے حجم میں مزید اضافہ نہیں ہوا۔ مجموعی قرضہ جات میں 3% جب کہ غیر فعال قرضہ میں 4% کمی ہوئی۔ جس کی بڑی وجہ مارکیٹ کے مشکل ترین حالات کے باوجود اچھی ریکوری ہے۔ اسی طرح کل غیر فعال قرضوں میں 26% کی کمی دیکھنے میں آئی۔ گرتی ہوئی شرح سود کے ماحول میں گورنمنٹ سیکیورٹیز میں نادہندگی کے خطرے سے مزید سرمایہ کاری کو تقویت دی گئی۔

سال کے دوران کمپنی کے کل اثاثے 30.1% بڑھوتری کے ساتھ 48.2 ارب روپے ہو گئے جس کی بڑی وجہ منافع بخش گورنمنٹ سیکیورٹیز میں زیادہ سرمایہ کاری ہے۔ اس کے نتیجے میں خالص سودی آمدنی 30.0% اضافے کے ساتھ 992.2 ملین روپے ہو گئی۔ سرمائے کی منڈیوں سے ہونے والی آمدنی 86.4% اضافہ کے ساتھ 383.7 ملین روپے ہو گئی۔ دیگر خالص آمدنیوں میں کرایہ کی آمدنی میں 10.2% اضافہ ہوا اور 224.4 ملین روپے حاصل ہوئے۔ مجموعی طور پر غیر سودی آمدنی میں 43.5% اضافہ ہوا اور ایسی آمدن 611.5 ملین روپے ہو گئی۔ انتظامی اخراجات پر موثر کنٹرول کی وجہ سے شدید مہنگائی کے باوجود انتظامی اخراجات کم ہوئے۔ کمپنی نے احتیاط کے طور پر غیر فعال قرضہ جات کی مد میں 340.3 ملین روپے مختص کیے۔

مجموعی طور پر قبل از ٹیکس منافع 99.8% اضافہ کے ساتھ 808.8 ملین روپے ہو گیا اور ٹیکس کے بعد منافع 130.7% اضافے کے ساتھ 616.3 ملین روپے ہوا۔ شیئر ہولڈرز کی ایکویٹی میں 6% اضافہ ہوا جب کہ مجموعی شیئر ہولڈرز کی ایکویٹی گزشتہ سال کی سطح پر موجود رہی۔ جس کی وجہ 31 دسمبر 2020 کو سیکیورٹی کی قدر میں کمی کی پیش بینی ہے۔

UNIVERSITY OF AGRICULTURE, FAISALABAD

The University evolved in the early 1960s from an agriculture college founded in 1906 by upgrading the former Punjab Agricultural College and Research Institute, Lyallpur, (Faisalabad) that was, in its own right, a widely acclaimed institution. UAF has its roots in early days of canal colonies which played a significant role to ensure food security in a country facing repeated famines. UAF graduates created poultry industry which is second largest sector of country's economy since 1970s and revolutionized cotton cultivation which has based the top segment of Pakistan's economy, the textiles industry since 1980s.



STATISTICAL INFORMATION

(Rs. in million)

	2016	2017	2018	2019	**2020**
Net Financing Approved					
Funded:					
Long Term Finance/TFCs	3,950.0	4,060.0	5,309.0	3,733.0	525.0
Lease Finance	20.0	-	-	16.0	-
Short Term Finance	970.0	619.5	1,395.0	1,315.0	250.0
Direct Equity/Investement/Placement	330.0	250.0	-	-	330.0
Gross Funded (a)	5,270.0	4,929.5	6,704.0	5,064.0	1,105.0
Withdrawals (b)	219.6	1,068.0	1,524.0	266.0	30.0
Net Funded (c)	5,050.4	3,861.5	5,180.0	4,798.0	1,075.0
Non-Funded:					
Underwriting of Shares	-	730.0	-	200.0	-
Guarantees	350.0	100.0	-	-	-
Gross Non-Funded (d)	350.0	830.0	-	200.0	-
Withdrawals (e)	18.8	100.0	-	200.0	-
Net Non-Funded (f)	331.2	730.0	-	-	-
Gross (Funded & Non-Funded) (a+d)	5,620.0	5,759.5	6,704.0	5,264.0	1,105.0
Withdrawals (b+e)	238.4	1,168.0	1,524.0	466.0	30.0
Net (Funded & Non-Funded) (c+f)	5,381.6	4,591.5	5,180.0	4,798.0	1,075.0

Net-Financing and Investment Approved: Cumulative as on December 31, 2020

	(Rs. in million)	As % of Funded	As % of Funded & Non-Funded
Funded:			
Long Term Finance/TFCs	51,782.2	63.03	57.84
Lease Finance	1,961.8	2.39	2.19
Short Term Finance	21,399.2	26.05	23.90
Direct Equity/Investement/Placement	7,014.2	8.53	7.84
Gross Funded (a)	82,157.4	100.00	91.77
Withdrawals (b)	6,021.6		
Net Funded (c)	76,135.8		
		As % of Non-Funded	
Non-Funded:			
Underwriting of Shares	4,046.0	54.90	4.52
Guarantees	3,324.4	45.10	3.71
Gross Non-Funded (d)	7,370.4	100.00	8.23
Withdrawls (e)	1,574.8		
Net Non-Funded (f)	5,795.6		
Gross Cumulative (Funded & Non-Funded) (a+d)	89,527.8		100.00
Cumulative Withdrawals (b+e)	7,596.4		
Net Cumulative (Funded & Non-Funded) (c+f)	81,931.4		

(Rs. in million)

	2016	2017	2018	2019	2020	Since Inception to 31-12- 2020
Disbursement: By Type of Assistance						
Long Term Finance/TFCs	3,177.2	2,975.2	3,582.2	2,703.1	349.4	44,237.2
Lease Finance	-	20.0	-	-	-	1,833.3
Short Term Finance	744.5	845.0	1,145.0	1,315.0	100.0	19,699.3
Direct Equity/Investment/Placement	-	330.0	-	-	300.0	2,707.4
Investment in Associated Company	-	-	-	-	-	4,030.6
Share taken up against underwriting	-	477.0	-	-	-	840.4
Total	3,921.7	4,647.2	4,727.2	4,018.1	749.4	73,348.2

Net Financing and Investment Approved*: Sector Exposure

Sector	2020 No.	2020 Amount	2020 %	Since Inception to 31-12-2020 No.	Since Inception to 31-12-2020 Amount	Since Inception to 31-12-2020 %
Financial Services	1	250.0	23.26	181	12,361.5	16.24
Power/Oil & Gas	0	-	-	78	10,003.3	13.14
Manufacturing	3	825.0	76.74	612	44,466.9	58.40
Services	0	-	-	72	9,304.1	12.22
Total	**4**	**1,075.0**	**100.00**	**943**	**76,135.8**	**100.00**

*Excluding underwriting and guarantees

Position as on December 31, 2020

Sector Wise Exposure

Misc 34.5 %
Textile 23.3 %
Energy/Oil/Gas 9.8 %
Dairy/Poultry 11.6 %
Power Production 9.6 %
Bank Leasing/FIs 11.2 %

Mode Wise Exposure

TFCs 23.3 %
Long term 61.6 %
Short Term 14.3 %
Lease Financing 0.8 %

STATEMENT OF COMPLIANCE

With Code of Corporate Governance

The statement is being presented in accordance with the listed Companies (Code of Corporate Governance) Regulation, 2019 (the Regulations) issued by the Securities and Exchange Commission of Pakistan, which has been voluntarily adopted by the Company.

The Company has applied the principles contained in the Code in the following manner:

1. The total number of directors is 6 as per the following detail:
   - Male 6
   - Female 0

2. The Board comprises of six non-executive directors as follows:

   - Mr. Sultan M. Hasan Abdulrauf
   - Mr. Zafar Hasan
   - Mr. Mohammad Tanvir Butt
   - Mr. Majid Misfer J. Alghamdi
   - Mr. Qumar Sarwar Abbasi
   - Mr. Ghanem Alghanem

   Exemption regarding appointment of independent director has been obtained from the State Bank of Pakistan.

3. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this company;

4. One causal vacancy occurred on the Board during the year ended December 31, 2020. The Government of Kingdom of Saudi Arabia (KSA) nominated one director namely Mr. Ghanem Alghanem on March 05, 2020 replacing Mr. Rayyan M.H Nagadi on the same day, whose Fit and Proper Test has been approved by the State Bank of Pakistan.

5. The company has prepared a code of conduct and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures;

6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the company. The Board has ensured that complete record of particulars of the significant policies along with their date of approval or updating is maintained by the company;

7. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by the Board as empowered by the relevant provisions of the Act and these Regulations;

8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose. The Board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of the Board;

9. The Directors, General Manager/Chief Executive and executives do not hold any interest in the shares of the Company. State Bank of Pakistan from its holding has transferred 01 share in the name of Director Finance, SBP in a representative capacity.

10. The Board have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations;

11. The Board has arranged Directors training program for the following:

S. No	Name of Directors
1	Mr. Sultan Abdulrauf
2	Mr. Zafar Hasan
3	Mr. Mohammad Tanvir Butt
4	Mr. Majid Misfer J. Alghamdi
5	Mr. Qumar Sarwar Abbasi

S. No	Name of Executives	Designation
1	Mr. Kamal uddin Khan	GM/Chief Executive
2	Mr. Mohammad Nayeem Akhtar	EVP/Company Secretary
3	Mr. Safdar Abbas Zaidi	Head Internal Audit
4	Mr. Khawar Ashfaq	Chief Financial Officer

12. The Board has approved appointment of chief financial officer, company secretary and head of internal audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations;

13. Chief financial officer and chief executive officer duly endorsed the financial statements before approval of the Board;

14. The Board has formed committees comprising of members given below. -

a) Audit Committee

S. No	Names	Designation
1	Mr. Majid Misfer J.Alghamdi	Chairman
2	Mr. Mohammad Tanvir Butt	Member
3	Mr. Qumar Sarwar Abbasi	Member
4	Mr. Ghanem Alghanem	Member

b) HR and Remuneration Committee

S. No	Names	Designation
1	Mr. Sultan M.Hasan Abdulrauf	Chairman
2	Mr. Zafar Hasan	Member
3	Mr. Mohammad Tanvir Butt	Member
4	Mr. Majid Misfer J. Alghamdi	Member

c) Risk Management Committee

S. No	Names	Designation
1	Mr. Zafar Hasan	Chairman
2	Mr. Majid Misfer J. Alghamdi	Member
3	Mr. Qumar Sarwar Abbasi	Member
4	Mr. Ghanem Alghanem	Member

15. The terms of reference of the aforesaid committees have been formed, documented and advised to the committee for compliance;

16. The frequency of meetings of the committees were as per following,

Board Committees	Frequency of Meeting
Audit Committee	Quarterly
Risk Management Committee	At least Twice in a year
Human Resource & Remuneration Committee	At least Once in a year

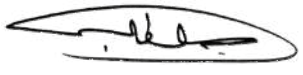
17. The Board has set up an effective internal audit function who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the company;

18. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of Pakistan and are registered with Audit Oversight Board of Pakistan, that they and all their partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan and that they and the partners of the firm involved in the audit are not a close relative (spouse, parent, dependent and non-dependent children) of the chief executive officer, chief financial officer, head of internal audit, company secretary or director of the company;

19. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these Regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard;

20. We confirm that all requirements of regulations 3, 6, 7, 8, 27, 32, 33 and 36 of the Regulations have been complied with.

For and on behalf of the
Board of Directors



Islamabad:
February 27, 2021

Chairman

STATEMENT ON INTERNAL CONTROLS

The Company's management is responsible to establish and maintain an adequate and effective system of internal controls and procedures. The internal controls system comprises of various components including Control Environment, Risk Assessment, Control Activities, Information & Communication and Monitoring. The management is also responsible for evaluating the effectiveness of the Company's internal controls that encompass material matters by identifying control objectives and reviewing significant policies and procedures.

The Company has adopted an internationally accepted internal control COSO Framework in accordance with ICFR guidelines from State Bank of Pakistan (SBP). Keeping in view of the risk exposure, the control activities are also monitored across the Company through the Internal Audit Division, working independently of the line management. In addition, Compliance Division also monitors control activities related to regulatory and other procedural compliance. The Audit Committee of the Board regularly reviews both internal and external audit reports and recommends to the Board for desired corrective measures to be taken by the Management, wherever required.

The Management of the Company ensures that an effective and efficient internal control system stays implemented and no compromises are made in implementing the desired control procedures and maintaining suitable control environment in general. However, control activities are continuous in nature that includes identification, evaluation and management of significant risks faced by the Company. The Management strives for timely and satisfactory response to new identifications or recommendations by the risk controlling divisions. Nonetheless, all internal control systems, no matter how well designed, have inherent limitations that they may not prevent or detect all misstatements. Also projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or that degree of compliance with policies and procedures may deteriorate.

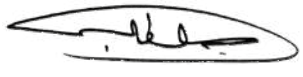
The Management took sufficiently necessary steps to rectify all observations and suggestions for improvement raised during the year by the Internal Audit Division.

Furthermore, regular follow-up of the internal audit reports were done by the Compliance Division which ensured timely implementation of queries raised and recommendations to mitigate identified risks to safeguard the interests of the Company. Based upon the results achieved through ongoing testing of financial reporting controls and internal audits carried out during the year, the management considers that the Company's existing internal control system is adequate and has been effectively implemented and monitored.

The Company has completed all stages of its ICFR program as per these guidelines and has been granted exemption from the requirement of submission of Auditors issued Long Form Report to SBP. Saudi Pak submitted annual assessment report on the efficacy of ICFR to SBP for the year ended December 31, 2019, endorsed by the Audit Committee of the Board, on March 19, 2020. Annual assessment report on the efficacy of ICFR for the year ended December 31, 2020 is to be submitted to SBP at the latest by March 31, 2021 as per OSED circular no. 01 dated February 07, 2014.

Based on the above, the Board endorses the management's evaluation of Internal Controls.

For and on behalf of the
Board of Directors



Islamabad, Pakistan
February 27, 2021

Chairman

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Saudi Pak Industrial and Agricultural Investment Company Limited

Review Report on the Statement of Compliance Contained in Listed Companies

(Code of Corporate Governance) Regulations, 2019

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations) prepared by the Board of Directors of Saudi Pak Industrial and Agricultural Investment Company Limited (the Company) for the year ended December 31, 2020 to voluntarily comply with the requirements of regulation 36 of the Regulation.

The responsibility for compliance with the Regulations is that of the Board of Directors of the Company. Our responsibility is to review whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Regulations and report if it does not and to highlight any non-compliance with the requirements of the Regulations. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Regulations.

As a part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The Regulations require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions and also ensure compliance with the requirements of section 208 of the Companies Act, 2017. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out procedures to assess and determine the Company's process for identification of related parties and that whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Company for the year ended December 31, 2020.

Chartered Accountants
Islamabad
Date: March 3, 2021

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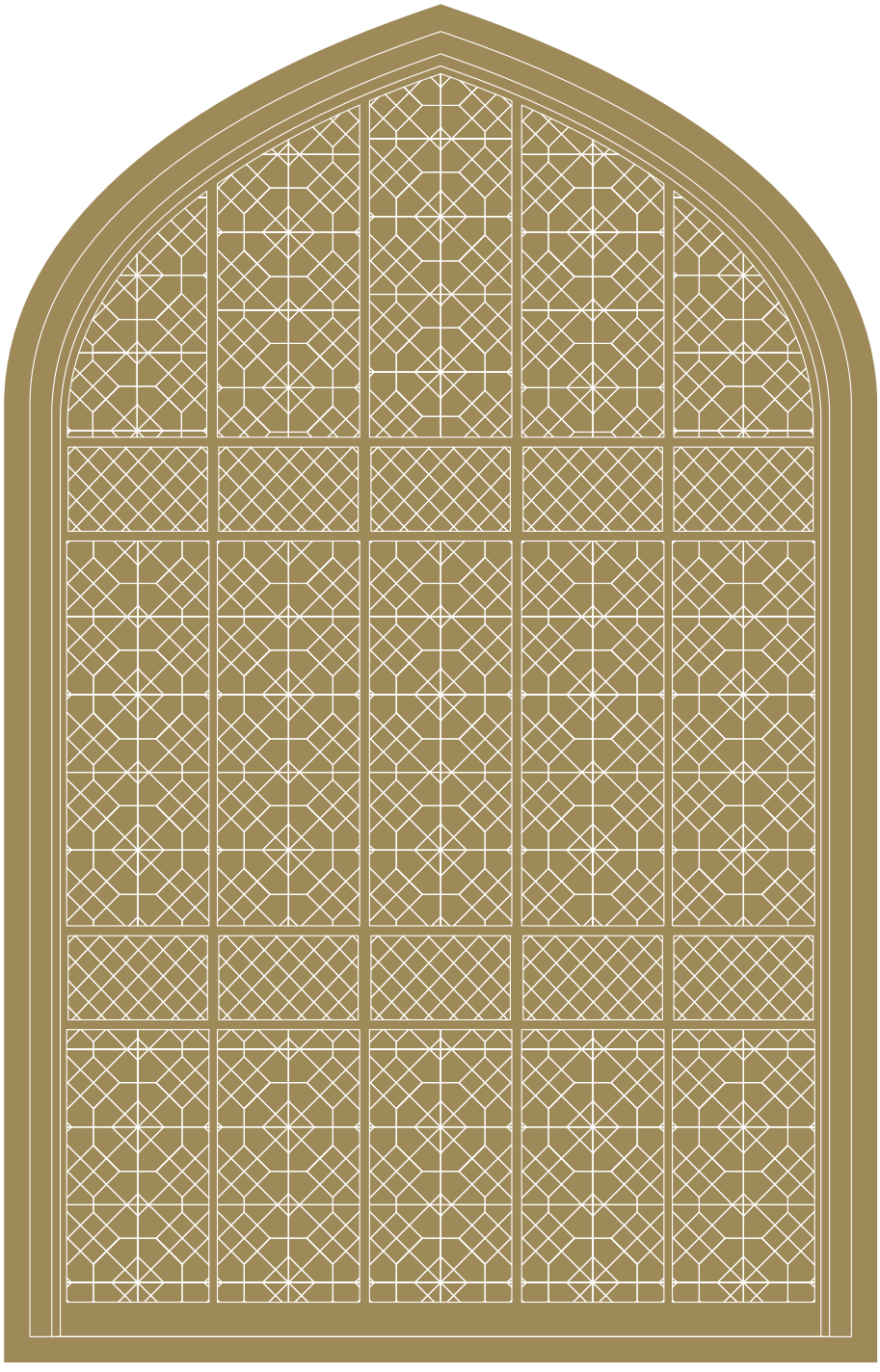
KARACHI LAHORE ISLAMABAD



FINANCIAL STATEMENTS

for the year ended December 31, 2020

STANDALONE

pwc

A·F·FERGUSON&Co.

INDEPENDENT AUDITOR'S REPORT

To the members of Saudi Pak Industrial and Agricultural Investment Company Limited

Report on the Audit of the Unconsolidated Financial Statements

Opinion

We have audited the annexed unconsolidated financial statements of Saudi Pak Industrial and Agricultural Investment Company Limited (the Company), which comprise the unconsolidated statement of financial position as at December 31, 2020, and the unconsolidated profit and loss account, the unconsolidated statement of comprehensive income, the unconsolidated statement of changes in equity and the unconsolidated cash flow statement for the year then ended, along with notes to the unconsolidated financial statements, including a summary of significant accounting policies and other explanatory information and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the unconsolidated statement of financial position, unconsolidated profit and loss account, the unconsolidated statement of comprehensive income, unconsolidated statement of changes in equity and unconsolidated cash flow statement together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan, and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at December 31, 2020 and of the profit and the comprehensive loss, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Unconsolidated Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

We draw attention to note 22.3.1 to unconsolidated financial statements, which describes the uncertainty related to the outcome of the tax references filed by the Company before the Islamabad High Court which is pending adjudication. Our opinion is not modified in respect of this matter.

Information Other than the Unconsolidated and Consolidated Financial Statements and Auditor's Reports Thereon

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the unconsolidated and consolidated financial statements and our auditor's reports thereon.

Our opinion on the unconsolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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KARACHI LAHORE ISLAMABAD

In connection with our audit of the unconsolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the unconsolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and the Board of Directors for the Unconsolidated Financial Statements

Management is responsible for the preparation and fair presentation of the unconsolidated financial statements in accordance with accounting and reporting standards as applicable in Pakistan and the requirements of the Companies Act, 2017 (XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of unconsolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the unconsolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Board of directors is responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Unconsolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the unconsolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these unconsolidated financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the unconsolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty

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KARACHI LAHORE ISLAMABAD

exists, we are required to draw attention in our auditor's report to the related disclosures in the unconsolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the unconsolidated financial statements, including the disclosures, and whether the unconsolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

Based on our audit, we further report that in our opinion:

a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);

b) the unconsolidated statement of financial position, the unconsolidated profit and loss account and the unconsolidated statement of comprehensive income, unconsolidated statement of changes in equity and unconsolidated cash flow statement together with the notes thereon have been drawn up in conformity with Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;

c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and

d) no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

The engagement partner on the audit resulting in this independent auditor's report is JehanZeb Amin.

Chartered Accountants
Islamabad
Date: March 3, 2021

UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31, 2020

	Note	2020 Rupees	2019 Rupees
ASSETS			
Cash and balances with treasury banks	7	107,773,417	36,408,879
Balances with other banks	8	557,227,616	126,036,504
Non-current asset classified as held for sale	9	–	–
Lendings to financial institutions	10	119,988,000	80,000,000
Investments	11	35,556,859,445	23,903,994,963
Advances	12	6,810,990,427	7,869,204,539
Fixed assets	13	2,956,247,925	3,054,741,640
Intangible assets	14	7,229,440	8,488,075
Deferred tax assets		–	–
Other assets	15	2,119,368,511	2,005,708,818
		48,235,684,781	37,084,583,418
LIABILITIES			
Bills payable		–	–
Borrowings	16	32,319,679,434	22,759,019,394
Deposits and other accounts	17	2,445,800,000	510,000,000
Liabilities against assets subject to finance lease		–	–
Subordinated debt		–	–
Deferred tax liabilities	18	40,297,275	299,466,049
Other liabilities	19	517,769,021	512,722,650
		35,323,545,730	24,081,208,093
NET ASSETS		12,912,139,051	13,003,375,325
REPRESENTED BY			
Share capital	20	6,600,000,000	6,600,000,000
Statutory reserve		1,184,865,766	1,061,615,726
Revenue reserve		358,662,940	358,662,940
Surplus on revaluation of assets	21	1,414,824,343	2,187,318,205
Unappropriated/ Unremitted profit		3,353,786,002	2,795,778,454
		12,912,139,051	13,003,375,325
CONTINGENCIES AND COMMITMENTS	22		

The annexed notes 1 to 45 and annexure I form an integral part of these financial statements.

GM / Chief Executive | Chief Financial Officer | Director | Director / Deputy Chairman | Director / Chairman

UNCONSOLIDATED PROFIT AND LOSS ACCOUNT

For The Year Ended December 31, 2020

	Note	2020 Rupees	2019 Rupees
Mark-up / Return / Interest Earned	24	3,733,028,459	2,314,368,395
Mark-up / Return / Interest Expensed	25	2,740,785,910	1,551,084,158
Net Mark-up / Interest Income		992,242,549	763,284,237
NON MARK-UP / INTEREST INCOME			
Fee and commission income	26	3,051,724	14,699,794
Dividend income		160,301,643	184,264,953
Foreign exchange income		375,816	1,836,436
Income / (loss) from derivatives		–	–
Gain on securities	27	223,402,460	21,578,967
Other income	28	224,386,938	203,700,153
Total Non-markup / Interest Income		611,518,581	426,080,303
Total Income		1,603,761,130	1,189,364,540
NON MARK-UP / INTEREST EXPENSES			
Operating expenses	29	454,678,157	453,624,451
Workers Welfare Fund		–	–
Other charges	30	–	2,353,000
Total Non-markup / Interest Expenses		454,678,157	455,977,451
Profit Before Provisions		1,149,082,973	733,387,089
Provisions and write offs - net	31	340,284,317	328,486,672
Extra ordinary / unusual items		–	–
PROFIT BEFORE TAXATION		808,798,656	404,900,417
Taxation	32	192,548,455	137,828,136
PROFIT AFTER TAXATION		616,250,201	267,072,281
Basic Earnings per share	33	0.934	0.405
Diluted Earnings per share	34	0.934	0.405

The annexed notes 1 to 45 and annexure I form an integral part of these financial statements.

GM / Chief Executive | Chief Financial Officer | Director | Director / Deputy Chairman | Director / Chairman

UNCONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For The Year Ended December 31, 2020

	2020 Rupees	2019 Rupees
Profit after taxation for the year	616,250,201	267,072,281
Other comprehensive (loss) / income		
Items that may be reclassified to profit and loss account in subsequent periods:		
Movement in (deficit) / surplus on revaluation of investments - net of tax	(706,546,758)	402,473,426
	(706,546,758)	402,473,426
Items that will not be reclassified to profit and loss account in subsequent periods:		
Remeasurement (loss) / gain on defined benefit obligations - net of tax	(939,717)	635,793
Movement in surplus on revaluation of non-banking assets	–	14,477,555
	(939,717)	15,113,348
Total comprehensive (loss) / income	(91,236,274)	684,659,055

The annexed notes 1 to 45 and annexure I form an integral part of these financial statements.

GM / Chief Executive | Chief Financial Officer | Director | Director / Deputy Chairman | Director / Chairman

UNCONSOLIDATED CASH FLOW STATEMENT

For The Year Ended December 31, 2020

	Note	2020 Rupees	2019 Rupees
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation		808,798,656	404,900,417
Less: Dividend income		(160,301,643)	(184,264,953)
		648,497,013	220,635,464
Adjustments:			
Depreciation		152,895,315	138,018,390
Amortization	14	4,146,275	2,673,392
Provision and write-offs	31	340,284,317	328,486,672
Gain on sale of fixed assets		(4,279,370)	(11,615,873)
Interest expense on lease liability against ROU assets		3,346,056	162,495
Charge for defined benefit plan	29.1	7,035,259	7,239,384
Charge for compensated absences	29.1	3,575,270	3,113,287
Unrealized gain - held for trading investments	11.1	(1,607,097)	–
		505,396,025	468,077,747
		1,153,893,038	688,713,211
(Increase) / decrease in operating assets			
Lendings to financial institutions		(39,988,000)	2,738,407,389
Held-for-trading securities		(53,467,402)	–
Advances		739,894,038	(81,183,317)
Others assets (excluding advance taxation)		63,333,827	(968,671,875)
		709,772,463	1,688,552,197
Increase in operating liabilities			
Borrowings from financial institutions		9,560,660,040	16,987,681,112
Deposits		1,935,800,000	502,500,000
Other liabilities (excluding current taxation)		13,320,647	434,214
		11,509,780,687	17,490,615,326
Payments against off-balance sheet obligations		–	–
Payment to defined benefit plan		(9,254,936)	(12,523,889)
Income tax paid		(543,328,958)	(321,876,691)
Net cash flow from operating activities		12,820,862,294	19,533,480,154
CASH FLOW FROM INVESTING ACTIVITIES			
Net investments in available-for-sale securities		(12,451,161,703)	(18,923,280,738)
Net investments in held-to-maturity securities		176,000	(599,455,295)
Dividends received		196,401,383	147,967,575
Investments in operating fixed assets		(56,932,233)	(59,098,971)
Proceeds from sale of fixed assets		7,509,379	24,985,488
Sale proceeds from disposal of non banking assets		–	–
Net cash flow used in investing activities		(12,304,007,174)	(19,408,881,941)
CASH FLOW FROM FINANCING ACTIVITIES			
Payments against lease liabilities		(14,299,470)	(13,387,950)
Dividend paid		–	(330,000,000)
Net cash flow used in financing activities		(14,299,470)	(343,387,950)
Effects of exchange rate changes on cash and cash equivalents		–	–
Increase / (Decrease) in cash and cash equivalents		502,555,650	(218,789,737)
Cash and cash equivalents at beginning of the year	35	162,445,383	381,235,120
Cash and cash equivalents at end of the year	35	665,001,033	162,445,383

The annexed notes 1 to 45 and annexure I form an integral part of these financial statements.

GM / Chief Executive | Chief Financial Officer | Director | Director / Deputy Chairman | Director / Chairman

UNCONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For The Year Ended December 31, 2020

	Share capital	Statutory reserve	Revenue reserve	Surplus / (Deficit) on revaluation Investments	Surplus / (Deficit) on revaluation Fixed / non banking assets	Unappropriated / unremitted profit	Total
	Rupees						
Balance as at January 1, 2019	6,600,000,000	1,008,201,270	358,662,940	(192,084,618)	2,030,632,636	2,843,304,042	12,648,716,270
Profit after taxation for the year ended December 31, 2019	–	–	–	–	–	267,072,281	267,072,281
Other comprehensive income - net of tax	–	–	–	402,473,426	14,477,555	635,793	417,586,774
Transfer to statutory reserve	–	53,414,456	–	–	–	(53,414,456)	–
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	–	–	–	–	(68,180,794)	68,180,794	–
Transactions with owners, recorded directly in equity							
Final dividend 2018: Re 0.5 per ordinary share	–	–	–	–	–	(330,000,000)	(330,000,000)
Balance as at December 31, 2019	6,600,000,000	1,061,615,726	358,662,940	210,388,808	1,976,929,397	2,795,778,454	13,003,375,325
Balance as at January 1, 2020	6,600,000,000	1,061,615,726	358,662,940	210,388,808	1,976,929,397	2,795,778,454	13,003,375,325
Profit after taxation for the year ended December 31, 2020	–	–	–	–	–	616,250,201	616,250,201
Other comprehensive (loss) - net of tax	–	–	–	(706,546,758)	–	(939,717)	(707,486,475)
Transfer to statutory reserve	-	123,250,040	–	–	–	(123,250,040)	–
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	–	–	–	–	(65,947,104)	65,947,104	–
Transactions with owners, recorded directly in equity							
Final dividend 2019: Nil per ordinary share	–	–	–	–	–	–	–
Balance as at December 31, 2020	6,600,000,000	1,184,865,766	358,662,940	(496,157,950)	1,910,982,293	3,353,786,002	12,912,139,051

The annexed notes 1 to 45 and annexure I form an integral part of these financial statements.

GM / Chief Executive | Chief Financial Officer | Director | Director / Deputy Chairman | Director / Chairman

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended December 31, 2020

1. STATUS AND NATURE OF BUSINESS

Saudi Pak Industrial and Agricultural Investment Company Limited (the Company) was incorporated in Pakistan as a private limited company on December 23, 1981 and subsequently converted to public limited company on April 30, 2008. The Company is jointly sponsored by the Governments of Kingdom of Saudi Arabia (KSA) and the Government of the Islamic Republic of Pakistan. The Company is a Development Financial Institution (DFI) and principally engaged in investment in the industrial and agro-based industrial projects in Pakistan on commercial basis and markets its products in Pakistan and abroad. The Company was initially setup for a period of fifty years and upon mutual consent of the Government of Kingdom of Saudi Arabia (KSA) and Government of Pakistan the duration of Company has been further extended for another period of fifty years.

The registered office of the Company is situated at Saudi Pak Tower, Jinnah Avenue, Islamabad. The Company is also operating offices in Lahore and Karachi.

2. BASIS OF PRESENTATION

These unconsolidated financial statements have been presented in accordance with the requirements of format prescribed by the State Bank of Pakistan's BPRD Circular No.2 dated January 25, 2018.

These unconsolidated financial statements are separate financial statements of the Company in which the investment in subsidiary and associate is stated at cost and have not been accounted for on the basis of reported results and net assets of the investee which is done in consolidated financial statements.

2.1 Functional and presentation currency

Items included in the unconsolidated financial statements are measured using the currency of the primary economic environment in which the Company operates. The unconsolidated financial statements are presented in Pak. Rupee, which is the Company's functional and presentation currency.

3. STATEMENT OF COMPLIANCE

3.1 These unconsolidated financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. Approved accounting standards comprise of :

- International Financial Reporting Standards (IFRS) issued by the International Accounting Standard Board (IASB) as are notified under the Companies Act, 2017;
- Provisions of and directives issued under the Banking Companies Ordinance, 1962, the Companies Act, 2017; and
- Directives issued by the State Bank of Pakistan (SBP) and the Securities and Exchange Commission of Pakistan (SECP).

Whenever the requirements of the Banking Companies Ordinance, 1962, the Companies Act, 2017 or directives issued by the SBP and SECP differ with the requirements of IFRS, requirements of the Banking Companies Ordinance, 1962, the Companies Act, 2017 and the said directives shall prevail.

3.2 The SECP, through SRO 229(I)/2019 dated February 14, 2019, has notified that IFRS 9, Financial Instruments, is applicable for accounting periods ending on or after June 30, 2019. However, SBP through BPRD Circular No.4 of 2019 dated October 23, 2019 has notified the implementation of IFRS 9 effective from January 1, 2021. Therefore, the requirements of IFRS 9 have not been considered by the Company in preparation of these unconsolidated financial statements.

4. STANDARDS, INTERPRETATIONS OF AND AMENDMENTS TO PUBLISHED APPROVED ACCOUNTING STANDARDS

a) Standards, interpretations of and amendments to the published accounting and reporting standards that are effective in the current year:

There are certain other new and amended standards, interpretations and amendments that are mandatory for the Company's accounting periods beginning on or after January 1, 2020 but are considered not to be relevant or do not have any significant effect on the Company's operations and are therefore not detailed in these unconsolidated financial statements.

b) Standards, interpretations of and amendments to published approved accounting standards that are not yet effective

Following standards have been issued by the International Accounting Standards Board (IASB), which is yet to be notified by the Securities and Exchange Commission of Pakistan (SECP) for the purpose of its applicability in Pakistan:

			Effective date (annual reporting periods beginning on or after)
IFRS 1	–	First-Time Adoption of International Financial Reporting Standards (Amendments)	July 1, 2009
IFRS 17	–	Insurance Contracts	January 1, 2021

c) Following standards, interpretations and amendments to published approved accounting standards will be effective in future periods and have not been earlier adopted by the Company.

			Effective date (annual reporting periods beginning on or after)
IFRS 16	–	'Leases' - COVID-19 related rent concessions	January 1, 2021
IFRS 9	–	'Financial instruments'	January 1, 2021*
IAS 1	–	'Presentation of financial statements' (amendments)	January 1, 2022
IAS 16	–	'Property, plant and equipment' (amendments)	January 1, 2022
IAS 37	–	'Provisions, contingent liabilities and contingent assets' (amendments)	January 1, 2022
IFRS 3	–	IFRS 3 - 'Business combinations' (amendments)	January 1, 2022

The management anticipates that the adoption of the above standards, amendments and interpretations in future periods will have no material impact on the financial statements other than in presentation / disclosures.

*The SBP vide its BPRD Circular No. 04 dated October 23, 2019 has notified the effective date of IFRS 9, 'Financial instruments' as January 1, 2021. IFRS 9, 'Financial instruments' has replaced IAS 39, 'Financial instruments: recognition and measurement'. The standard addresses recognition, classification, measurement and derecognition of financial assets and financial liabilities. The standard has also introduced a new impairment model for financial assets which requires recognition of impairment charge based on 'Expected Credit Losses' (ECL) approach rather than 'incurred credit losses' approach. The ECL has impact on all the assets of the Company which are exposed to credit risk. The impact of the application of IFRS 9 in Pakistan on the Company's financial statements is being assessed and the implementation guidelines are awaited.

There are certain other new and amended standards, interpretations and amendments that are mandatory for the Company's accounting periods beginning on or after January 1, 2021 but are considered not to be relevant or will not have any significant effect on the Company's operations and are therefore not detailed in these unconsolidated financial statements.

5. BASIS OF MEASUREMENT

These unconsolidated financial statements have been prepared under the historical cost convention except for:

- certain items of operating fixed assets and non-banking assets acquired in satisfaction of claims which are shown at revalued amounts;
- certain investments which are carried at fair value in accordance with directives of the SBP; and
- staff retirement benefit which is stated at present value of defined benefit obligation net of fair value of plan assets.

Use of critical accounting estimates and judgments

The preparation of unconsolidated financial statements in conformity with the approved accounting standards as applicable in Pakistan requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the Company's accounting policies. The Company uses estimates and assumptions concerning the future. The resulting accounting estimate will, by definition, seldom equals the related actual results. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to these unconsolidated financial statements are as follows:

i) Classification of investments (note 6.4)

ii) Provision against investments (note 6.17), advances (note 6.5) and other assets (note 15)

iii) Valuation and impairment of available for sale securities (note 6.4(b))

iv) Valuation and useful life of fixed assets (note 6.7) and non-banking assets acquired in satisfaction of claims (note 6.10)

v) Useful life of intangibles (note 6.8)

vi) lease term and effective interest rate of lease contracts for lease liabilities and right of use of assets (note 6.9)

vii) Taxation (note 6.12)

viii) Present value of staff retirement benefits (note 6.13)

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

6.1 Cash and cash equivalents

Cash and cash equivalents comprise of cash and balances with treasury banks, balances with other banks and call money lendings.

6.2 Non-current asset classified as held for sale

The Company classifies a non-current asset as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. For this to be the case, the asset must be available for sale in its present condition and its sale must be probable. For sale to be probable, the appropriate level of management must be committed to a plan to sell the asset and an active programme to locate a buyer and complete plan must have been initiated. Assets designated as held for sale are carried at lower of carrying amount at designation and fair value less cost to sell, if fair value can reasonably be determine.

6.3 Sale and repurchase agreements

Securities sold under repurchase agreement (repo) are retained in the unconsolidated financial statements as investments and a liability for consideration received is included in borrowings. Conversely, consideration for securities purchased under resale agreement (reverse repo) are included in lendings to financial institutions. The difference between sale and repurchase / purchase and resale price is recognised as mark-up / return expensed and earned respectively on a time proportion basis as the case may be. Repo and reverse repo balances are reflected under borrowings from and lendings to financial institutions respectively.

6.4 Investments

Investments are classified as follows:

(a) Held-For-Trading (HFT)

These represent securities acquired with the intention to trade by taking advantage of short-term market / interest rate movements. These are marked to market and surplus / deficit arising on revaluation of 'held for trading' investments is taken to unconsolidated profit and loss account in accordance with the requirements prescribed by the State Bank of Pakistan through various circulars.

(b) Available-For-Sale (AFS)

These represent securities which do not fall under 'held for trading' or 'held to maturity' categories. In accordance with the requirements of the SBP's BSD Circular No. 20 dated August 04, 2000 and BPRD Circular No. 06 dated June 26, 2014, available for sale securities for which ready quotations are available on Reuters Page (PKRV) or Stock Exchanges, are valued at market value and the resulting surplus / deficit on revaluation, net of deferred tax, is taken through "Statement of Comprehensive Income" and is shown in the shareholders' equity in the unconsolidated statement of financial position. Where the decline in prices of available for sale securities is significant and prolonged, it is considered impaired and included in unconsolidated profit and loss account. Impairment loss on available for sale debt securities is determined in accordance with the requirements of prudential regulations issued by SBP.

Unquoted equity securities are valued at the lower of cost and break-up value. Break-up value of equity securities is calculated with reference to the net assets of the investee companies as per their latest available financial statements.

(c) Held-To-Maturity (HTM)

These represent securities acquired with the intention and ability to hold them upto maturity. These are carried at amortized cost less impairment, if any, in accordance with the requirements prescribed by the State Bank of Pakistan through various circulars.

(d) Investments in associate and subsidiary

Investment in associate and subsidiary is carried at cost less impairment, if any.

All purchases and sale of investments that require delivery within the time frame established by regulations or market convention are recognized at the trade date, which is the date the Company commits to purchase or sell the investments.

6.5 Advances

Advances are stated net of provision for non-performing advances. Provision for non-performing advances is determined in accordance with the requirements of the Prudential Regulations issued by SBP from time to time.

The provision against non-performing advances is charged to the unconsolidated profit and loss account. Advances are written off when there is no realistic prospect of recovery.

6.6 Finance lease receivables

Leases where the Company transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee are classified as finance leases. A receivable is recognized at an amount equal to the present value of the lease payments including any guaranteed residual value. Finance lease receivables are included in advances to the customers.

6.7 Fixed assets

(a) Tangibles assets

Fixed assets are stated at cost less accumulated depreciation and impairment loss, if any, except for freehold land which is stated at cost and lease hold land, buildings and certain other items which are carried at revalued amount less depreciation.

Certain items of fixed assets are revalued by professionally qualified valuers with sufficient regularity to ensure that the net carrying amount does not differ materially from their fair value. Surplus / (deficit) arising on revaluation of fixed assets is credited / (debited) to the surplus on revaluation of assets account and is shown in the shareholders' equity in the unconsolidated statement of financial position.

In making estimates of the depreciation / amortization, the management uses useful life and residual value which reflects the pattern in which economic benefits are expected to be consumed by the Company. The useful life and the residual value are reviewed at each financial year end and any change in these estimates in future years might effect the carrying amounts of the respective item of operating fixed assets with the corresponding effect on depreciation / amortization charge.

Depreciation is provided on straight line method at rates specified in note 13.2 to the unconsolidated financial statements so as to write off the cost of the assets over their estimated useful lives. Depreciation of an asset begins when it is available for use. Depreciation of an asset ceases at the earlier of the date when the asset is classified as held for sale and the date that the asset is derecognized. Therefore, depreciation does not cease when the asset becomes idle or is retired from active use unless the asset is fully depreciated.

Maintenance and normal repairs are charged to unconsolidated profit and loss account as and when incurred. Major renewals and improvements are capitalized. Gains and losses on disposal of operating fixed assets are taken to the unconsolidated profit and loss account.

(b) Capital work in progress

Capital work in progress is stated at cost less accumulated impairment losses, if any, and is transferred to the respective item of operating fixed assets when available for intended use.

6.8 Intangibles

Intangible assets are stated at cost less accumulated amortization and impairment losses, if any. Amortization is charged to unconsolidated profit and loss account. Amortization is computed from the date of purchase to date of disposal / write off using the straight line method in accordance with the rates specified in note 14 to these unconsolidated financial statements to write off cost of the assets over their estimated useful life.

6.9 Right-of-Use Asset and Lease Liability

On initial recognition, right-of-use assets are measured at an amount equal to initial lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred. Right to use assets are subsequently stated at cost less any accumulated depreciated/ accumulated impairment losses and are adjusted for any remeasurement of lease liability. The remeasurement of lease liability will only occur in cases where the terms of the lease are changed during the lease tenor. Right-of-use assets are depreciated over their expected useful lives using the straight line method.

The lease liabilities are initially measured as the present value of remaining lease payments, discounted using the incremental borrowing rate. The lease liability is subsequently measured at amortised cost using the effective interest rate method. The lease liability is also remeasured to reflect any reassessment or change in lease terms. Each lease payment is allocated between a reduction of the liability and finance cost. The finance cost is charged to profit and loss account as markup expense over the lease period.

6.10 Non banking assets acquired in satisfaction of claims

In accordance with the BPRD Circular No. 1 of 2016 dated January 1, 2016 issued by SBP, the non-banking assets acquired in satisfaction of claims are carried at revalued amounts. Surplus arising on revaluation of such properties is credited to the 'surplus on revaluation of non banking assets' account and any deficit arising on revaluation is taken to profit and loss account directly. Legal fees, transfer costs and direct costs of acquiring title to property is charged to profit and loss account and are not capitalised. These assets are depreciated as per Company's policy.

6.11 Deposits

Deposits are recorded at the fair value of proceeds received. Markup accrued on deposits is recognised separately as part of other liabilities and is charged to unconsolidated profit and loss account on a time proportion basis.

6.12 Taxation

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the unconsolidated profit and loss account, except to the extent that it relates to items recognised directly in other comprehensive income or in equity, in which case it is recognised in other comprehensive income or in equity.

(a) Current

Provision for current tax is the expected tax payable on the taxable income for the year using tax rates applicable at the date of unconsolidated statement of financial position. The charge for the current tax also includes adjustments, where considered necessary relating to prior years, arising from assessments made during the year for such years.

(b) Deferred

Deferred tax is provided for by using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amount used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities using tax rates enacted or substantively enacted at the date of unconsolidated statement of financial position, and applicable at the time of its reversal. A deferred tax asset is recognised only to the extent that it is probable that the future taxable profit will be available and credits can be utilized. Deferred tax assets are reduced to the extent it is no longer probable that the related tax benefit will be realised.

The Company recognizes deferred tax asset/liability on (deficit)/surplus on revaluation of securities and revaluation of operating fixed assets as an adjustment to deficit / surplus on revaluation of securities and revaluation of operating fixed assets.

6.13 Staff retirement benefits

(a) Defined benefit plan

The Company operates an approved gratuity fund for its permanent employees. Contributions to the fund are made on the basis of actuarial recommendations. The actuarial valuation is carried out periodically using "projected unit credit method".

(b) Defined contribution plan

The Company also operates a recognized provident fund for all of its permanent employees. Equal monthly contributions at the rate of 10% of basic salary are made both by the Company and the employees, which are transferred to the provident fund.

(c) Compensated absences

As per its service rules, the Company grants compensated absences to all of its permanent employees. The provision for compensated absences is made on the basis of last drawn basic salary.

6.14 Revenue recognition

- Mark-up / interest on advances and return on investments is recognized on accrual basis except on classified advances and investments which is recognized on receipt basis in compliance with Prudential Regulations issued by the SBP. Fines / penalties on delayed payments are recorded in the unconsolidated profit and loss account on receipt basis.

- Markup / interest on rescheduled / restructured advances and return on investment is recognized in accordance with the directives of the SBP.

- Fees, commission and brokerage income is recognised at the time of performance of service.

- Dividend income is recognized when the Company's right to receive income is established.

- The Company follows the finance method to recognize income from lease financing. Under this method, the unearned lease income (excess of the sum of total lease rentals and estimated residual value over the cost of the leased assets) is deferred and taken to income over the term of lease period so as to produce a constant periodic rate of return on the outstanding net investment in lease. Gains/ losses on termination of lease contracts are recognized as income/expense on realization. Unrealized lease income on classified lease is held in suspense account, where necessary, in accordance with the requirements of SBP guidelines and recognized as income on receipt basis.

- Gains and losses on sale of investments are taken to the unconsolidated profit and loss account.

- Rental income is recognized on accrual basis.

- Gains and losses on disposal of operating fixed assets are taken to the unconsolidated profit and loss account.

6.15 Foreign currency transactions

Foreign currency transactions are translated into Pak. Rupee at the exchange rates prevailing on the date of transaction. Monetary assets and liabilities in foreign currencies are translated to Pak. Rupee at the exchange rates prevailing at the date of unconsolidated statement of financial position. Exchange gains and losses are included in unconsolidated profit and loss account of the Company.

6.16 Impairment

The carrying amount of the Company's assets are reviewed at the date of unconsolidated statement of financial position to determine whether there is any indication of impairment. If such indications exist, the asset's recoverable amount is estimated in order to determine the extent of the impairment loss, if any. Impairment loss is recognised as expense in the unconsolidated profit and loss account. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognised.

6.17 Provisions

Provisions are recognised when there are present, legal or constructive obligations as a result of past events and it is probable that an out flow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amounts can be made. Provision for guarantee claims and other off balance sheet obligations is recognized when intimated and reasonable certainty exists to settle the obligations. Expected recoveries are recognized by debiting customer accounts. Charge to unconsolidated profit and loss account is stated net off expected recoveries.

6.18 Financial instruments

Financial assets and liabilities

Financial assets and financial liabilities are recognized at the time when the Company becomes a party to the contractual provision of the instrument. Financial assets are de-recognized when the contractual right to future cash flows from the asset expires or is transferred along with the risk and reward of the asset. Financial liabilities are de-recognized when obligation specific in the contract is discharged, cancelled or expired. Any gain or loss on de-recognition of the financial asset and liability is recognized in the profit and loss account of the current period. The particular recognition and subsequent measurement methods adopted for significant financial assets and financial liabilities are disclosed in the individual policy statements associated with them.

6.19 Off-setting of financial instruments

Financial assets and financial liabilities are only set-off and net amount is reported in the unconsolidated financial statements when there is legally enforceable right to set-off the recognized amount and the Company either intends to settle on net basis or to settle the liabilities and realize the assets simultaneously.

6.20 Statutory reserve

Under Circular No. 1 dated December 05, 1991 issued by the State Bank of Pakistan for Non-Banking Financial Institutions, an amount not less than 20% of the profit after tax shall be transferred to create a reserve fund till such time the reserve fund equals the amount of paid up capital of the Company and thereafter 10% of the balance of profit after tax of the Company are to be transferred to this reserve.

6.21 Segment Reporting

A segment is a distinguishable component of the Company that is engaged either in providing differentiated products or services (business segment) or in providing products or services within a particular economic environment (geographical segment), subject to risks and rewards that are different from those of other segments. Segment information is presented as per the Company's functional structure and the guidance of State Bank of Pakistan. The Company's primary format of reporting is based on business segments. The Company comprises of the following main business segments:

(a) Business Segment

– **Corporate finance**

This includes investment activities such as underwriting, Initial Public Offers (IPOs) and corporate financing.

– **Trading and Sales**

Trading and sales includes the Company's treasury and money market activities.

– **Building Rental Services**

This segment undertakes the rental services of Saudi Pak Tower and its allied activities.

(b) Geographical Segment

The Company conducts all its operations in Pakistan.

		2020 Rupees	2019 Rupees
7.	**CASH AND BALANCES WITH TREASURY BANKS**		
	In hand		
	Local currency	241,599	223,815
	With State Bank of Pakistan in		
	Local currency current accounts	107,531,818	36,185,064
		107,773,417	36,408,879

7.1 These represent current accounts maintained with the SBP to comply with the statutory cash reserve requirements.

		2020 Rupees	2019 Rupees
8.	**BALANCES WITH OTHER BANKS**		
	In Pakistan		
	In current accounts	8,301,526	5,979,002
	In deposit accounts	548,926,090	120,057,502
		557,227,616	126,036,504

8.1 Deposit accounts include Rs. 527,863,401 (2019: Rs 99,741,980) held in local currency accounts. These accounts carry markup at the rates ranging from 3.00% to 5.50% (2019: 3.00% to 11.40%) per annum.

8.2 Deposit accounts include USD 131,426.27 (2019: USD 131,135.31) held in foreign currency accounts. These accounts carry markup at the rate of 0.25% (2019: 0.25%) per annum.

		2020 Rupees	2019 Rupees
9.	**NON-CURRENT ASSET CLASSIFIED AS HELD FOR SALE**		
	Cost of investment reclassified from investments		
	- Investment in shares	243,467,574	–
	- Investment in preference shares	333,208,501	–
	Less: Provision on investment	(576,676,075)	–
		–	–
	Less: Amounts received till 31 December 2020	–	–
		–	–

9.1 The Company's investment in Saudi Pak Leasing Company Limited (the "associate company") has been classified as non-current asset held for sale in accordance with International Financial Reporting Standards 5 "Non-current Assets Held for Sales and Discontinued Operations" and measured at lower of carrying amount at designation and fair value less cost to sell.

			2020 Rupees	2019 Rupees
10.	**LENDINGS TO FINANCIAL INSTITUTIONS**			
	Repurchase agreement lendings (Reverse Repo)	10.1	119,988,000	80,000,000
	Letter based placement		–	–
			119,988,000	80,000,000
	Less: provision held against Lending to Financial Institutions		–	–
	Lending to Financial Institutions - net of provision		119,988,000	80,000,000

10.1 These are secured against Pakistan Investment Bonds (2019: Pakistan Investment Bonds) and carry markup at the rate of 6.40% (2019: 13.05%) per annum having maturity on January 4, 2021 (2019: January 2, 2020).

		2020 Rupees	2019 Rupees
10.2	**Particulars of lending**		
	In local currency	119,988,000	80,000,000

10.3 Securities held as collateral against lending to financial institutions

		2020			2019		
	Note	Held by the company	Further given as collateral	Total	Held by the company	Further given as collateral	Total
			Rupees			Rupees	
Pakistan Investment Bonds	10.3.1	119,988,000	–	119,988,000	80,000,000	–	80,000,000
Total		119,988,000	–	119,988,000	80,000,000	–	80,000,000

10.3.1 Market value of securities held as collateral at December 31, 2020 is Rs. 120 million (2019: Rs. 80 million).

11. INVESTMENTS

11.1 Investments by type:

	Note	2020 Cost / Amortised cost	2020 Provision for diminution	2020 Surplus / (Deficit)	2020 Carrying Value	2019 Cost / Amortised cost	2019 Provision for diminution	2019 Surplus / (Deficit)	2019 Carrying Value
		Rupees				Rupees			
Held-for-trading securities									
Quoted shares		53,467,402	–	1,607,097	55,074,499	–	–	–	–
Available-for-sale securities									
Federal Government Securities									
-Pakistan Investment Bonds (PIBs)		30,643,940,823	–	(774,654,823)	29,869,286,000	17,354,461,746	–	91,880,254	17,446,342,000
-Market Treasury Bills		–	–	–	–	907,736,468	–	3,808,532	911,545,000
		30,643,940,823	–	(774,654,823)	29,869,286,000	18,262,198,214	–	95,688,786	18,357,887,000
Shares- Quoted securities		2,827,625,073	(760,854,156)	181,945,188	2,248,716,105	2,627,466,026	(704,469,976)	133,678,081	2,056,674,131
Non Government Debt Securities									
-Term Finance Certificates									
(TFCs) / Sukuk		1,171,612,766	(82,227,345)	8,994,400	1,098,379,821	1,171,612,766	(82,227,345)	3,600,000	1,092,985,421
-Commercial paper		32,784,012	–	–	32,784,012	92,729,028	–	–	92,729,028
Open end Mutual Fund		–	–	–	–	70,794,937	(34,419,937)	14,549,375	50,924,375
Un-quoted securities		786,333,048	(273,833,040)	–	512,500,008	786,333,048	(273,833,040)	–	512,500,008
		35,462,295,722	(1,116,914,541)	(583,715,235)	33,761,665,946	23,011,134,019	(1,094,950,298)	247,516,242	22,163,699,963
Held-to-maturity securities									
Non Government Debt Securities									
-Term Finance Certificates (TFCs)		1,642,610,710	(402,491,710)	–	1,240,119,000	1,642,786,710	(402,491,710)	–	1,240,295,000
Associates									
Saudi Pak Leasing Company Limited									
- Investment in shares	11.1.1	–	–	–	–	243,467,574	(243,467,574)	–	–
- Investment in preference shares		–	–	–	–	333,208,501	(333,208,501)	–	–
		–	–	–	–	576,676,075	(576,676,075)	–	–
Subsidiaries									
Saudi Pak Real Estate Company Limited	11.1.2	500,000,000	–	–	500,000,000	500,000,000	–	–	500,000,000
Total Investments		37,658,373,834	(1,519,406,251)	(582,108,138)	35,556,859,445	25,730,596,804	(2,074,118,083)	247,516,242	23,903,994,963

11.1.1 During the year, the Board of Directors of the Company approved disposal of the investment in Saudi Pak Leasing Company Limited (SPLCL) incorporated in Pakistan. Consequent to the approval, this investment has been reclassified as Non-current asset classified as held for sale and has been show in the statement of Financial position. Detail of investment is disclosed in note no. 9.

11.1.2 This represents 50 million shares in Saudi Pak Real Estate Company Limited (SPREL) representing 100% of paid up capital of SPREL which is incorporated in Pakistan. On the basis of latest available audited financial statements of SPREL as at December 31, 2020, total assets and liabilities of SPREL are Rs. 739 million (2019: Rs. 749 million) and Rs. 22 million (2019: Rs. 55 million) while total revenue, profit after taxation and total comprehensive income for the year ended December 31, 2020 are Rs. 71.9 million (2019: Rs. 35.3 million), Rs. 21.7 million (2019: Rs. 14.7 million) and Rs. 21.6 million (2019: Rs. 15.30 million) respectively.

11.2 Investments by segments:

	2020				2019			
	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value
	Rupees				Rupees			
Federal Government Securities:								
Market Treasury Bills	–	–	–	–	907,736,468	–	3,808,532	911,545,000
Pakistan Investment Bonds	30,643,940,823	–	(774,654,823)	29,869,286,000	17,354,461,746	–	91,880,254	17,446,342,000
	30,643,940,823	–	(774,654,823)	29,869,286,000	18,262,198,214	–	95,688,786	18,357,887,000
Shares:								
Listed Companies	2,881,092,475	(760,854,156)	183,552,285	2,303,790,604	2,627,466,026	(704,469,976)	133,678,081	2,056,674,131
Unlisted Companies	786,333,048	(273,833,040)	–	512,500,008	786,333,048	(273,833,040)	–	512,500,008
	3,667,425,523	(1,034,687,196)	183,552,285	2,816,290,612	3,413,799,074	(978,303,016)	133,678,081	2,569,174,139
Non Government Debt Securities								
Listed TFCs / Sukuk	1,870,945,725	(181,560,304)	8,994,400	1,698,379,821	870,945,725	(181,560,304)	–	689,385,421
Unlisted TFCs / Sukuk	943,277,751	(303,158,751)	–	640,119,000	1,943,453,751	(303,158,751)	3,600,000	1,643,895,000
Commercial paper	32,784,012	–	–	32,784,012	92,729,028	–	–	92,729,028
	2,847,007,488	(484,719,055)	8,994,400	2,371,282,833	2,907,128,504	(484,719,055)	3,600,000	2,426,009,449
Open end mutual funds	–	–	–	–	70,794,937	(34,419,937)	14,549,375	50,924,375
Associates								
Saudi Pak Leasing Company Limited								
- Investment in shares	–	–	–	–	243,467,574	(243,467,574)	–	–
- Investment in preference shares	–	–	–	–	333,208,501	(333,208,501)	–	–
	–	–	–	–	576,676,075	(576,676,075)	–	–
Subsidiaries								
Saudi Pak Real Estate Company Limited	500,000,000	–	–	500,000,000	500,000,000	–	–	500,000,000
Total Investments	37,658,373,834	(1,519,406,251)	(582,108,138)	35,556,859,445	25,730,596,804	(2,074,118,083)	247,516,242	23,903,994,963

		2020 Rupees	2019 Rupees
11.2.1	**Investments given as collateral**		
	Treasury Bills (T-Bills)	–	–
	Pakistan Investment Bonds (PIBs)	26,592,235,980	15,980,206,280
		26,592,235,980	15,980,206,280
11.3	**Provision for diminution in value of investments**		
11.3.1	Opening balance	2,074,118,083	1,822,939,631
	Charge / reversals		
	Charge for the year	217,298,653	375,917,236
	Reversals for the year	–	(977,225)
	Reversal on disposals	(195,334,410)	(123,761,559)
		21,964,243	251,178,452
	Transfers - net	(576,676,075)	–
	Amounts written off	–	–
	Closing balance	1,519,406,251	2,074,118,083

11.3.2 Particulars of provision against debt securities

	2020		2019	
	NPI	Provision	NPI	Provision
	Rupees		Rupees	
Category of classification				
Domestic				
Substandard	–	–	–	–
Doubtful	–	–	–	–
Loss	535,344,055	484,719,055	535,344,055	484,719,055
	535,344,055	484,719,055	535,344,055	484,719,055
Overseas	–	–	–	–
Total	535,344,055	484,719,055	535,344,055	484,719,055

11.4 Quality of Available for Sale Securities

Details regarding quality of Available for Sale (AFS) securities are as follows

	2020	2019
	Cost in Rupees	
Federal Government Securities - Government guaranteed		
Market Treasury Bills	–	907,736,468
Pakistan Investment Bonds	30,643,940,823	17,354,461,746
	30,643,940,823	18,262,198,214
Provincial Government Securities - Government guaranteed	–	–
Shares:		
Listed Companies		
Cable and Electrical Goods	–	35,043,810
Cement	109,775,900	392,745,274
Chemical	417,127,705	117,127,705
Close-end Mutual Fund	37,745,634	37,745,634
Commercial Banks	649,330,721	320,635,888
Fertilizer	378,106,466	270,478,763
Food and Personal Care Products	35,090,111	35,090,111
Insurance	105,533,362	105,533,369
Oil & Gas Marketing Companies	141,229,459	314,292,707
Oil & Gas Exploration Companies	257,562,725	106,600,086
Power Generation and Distribution	625,325,445	606,188,235
Technology and Communication	33,971,065	33,971,066
Textile Composite	36,826,480	73,652,958
Transport	–	178,360,420
	2,827,625,073	2,627,466,026

	2020		2019	
	Cost	Breakup value	Cost	Breakup value
	Rupees		Rupees	
Unlisted Companies				
Al Hamra Avenue Private Limited	50,000,000	–	50,000,000	–
Alhamra Hills Private Limited	50,000,000	–	50,000,000	–
Ali Paper Board Industries Limited	5,710,000	–	5,710,000	–
Bela Chemical Industries Limited	6,500,000	–	6,500,000	–
Fruit Sap Limited	4,000,000	–	4,000,000	–
Innovative Investment Bank Limited	37,623,048	–	37,623,048	–
ISE Towers - REIT Management Company Limited	2,500,000	45,096,303	2,500,000	42,747,107
Pace Barka Properties Limited	168,750,000	217,609,092	168,750,000	228,094,025
Pak Kuwait Takaful Company	40,000,000	(2,485,549)	40,000,000	(2,485,549)
Pakistan Textile City Limited	50,000,000	5,047,010	50,000,000	5,047,010
Pakistan GasPort Consortium Limited	330,000,000	415,481,552	330,000,000	400,729,546
Saudi Pak Kalabagh Livestock Company Limited	10,000,000	–	10,000,000	–
Taurus Securities Limited	11,250,000	24,102,185	11,250,000	23,635,782
Trust Investment Bank Limited	20,000,000	–	20,000,000	–
	786,333,048	704,850,593	786,333,048	697,767,921

Breakup value has been calculated using latest available audited financial statements, except for the parties for which no breakup value is mentioned above due to non-availability of latest audited financial statements because of litigation or liquidation proceedings.

	2020	2019
	Cost in Rupees	
Open end mutual funds:		
Unlisted companies		
Golden Arrow Stock Fund	–	70,794,937
Non Government Debt Securities		
Listed		
- AA+, AA, AA-	1,060,000,000	660,000,000
- CCC and below	29,385,421	29,385,421
- Unrated	24,970,005	24,970,005
	1,114,355,426	714,355,426
Unlisted		
- AA+, AA, AA-	–	492,729,028
- A+, A, A-	32,784,012	–
- Unrated	57,257,340	57,257,340
	90,041,352	549,986,368
	1,204,396,778	1,264,341,794

11.5 The Company does not have any investments in foreign securities as at December 31, 2020 (2019: Nil).

	Note	2020	2019
		Cost in Rupees	
11.6 Particulars relating to Held to Maturity securities are as follows:			
Non Government Debt Securities			
Listed			
- AA+, AA, AA-		600,000,000	–
- Unrated	11.6.1	156,590,299	156,590,299
		756,590,299	156,590,299
Unlisted			
- AA+, AA, AA-		199,800,000	799,880,000
- A+, A, A-		89,874,000	89,910,000
- BBB+, BBB, BBB-		299,820,000	299,880,000
- Unrated		296,526,411	296,526,411
		886,020,411	1,486,196,411
		1,642,610,710	1,642,786,710

11.6.1 The market value of listed TFCs classified as held-to -maturity as at December 31, 2020 and December 31, 2019 are not available and these are carried at amortised cost.

12. ADVANCES

		2020	2019	2020	2019	2020	2019
		Performing		Non performing		Total	
	Note	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Loans, leases, running finances- gross	12.1	5,450,132,635	6,040,351,497	3,894,704,806	4,069,013,884	9,344,837,441	10,109,365,381
Provision against advances							
- Specific		–	–	(2,533,847,014)	(2,240,160,842)	(2,533,847,014)	(2,240,160,842)
- General		–	–	–	–	–	–
		–	–	(2,533,847,014)	(2,240,160,842)	(2,533,847,014)	(2,240,160,842)
Advances - net of provision		5,450,132,635	6,040,351,497	1,360,857,792	1,828,853,042	6,810,990,427	7,869,204,539

12.1 Includes Net Investment in Finance Lease as disclosed below:

	2020				2019			
	Not later than one year	Later than one and less than five years	Over five years	Total	Not later than one year	Later than one and less than five years	Over five years	Total
	Rupees				Rupees			
Lease rentals receivable	142,105,873	–	–	142,105,873	224,213,212	1,704,796	–	225,918,008
Residual value	–	–	–	–	–	–	–	–
Minimum lease payments	142,105,873	–	–	142,105,873	224,213,212	1,704,796	–	225,918,008
Financial charges for future periods	(50,106,929)	–	–	(50,106,929)	(80,357,123)	(64,406)	–	(80,421,529)
Present value of minimum lease payments	91,998,944	–	–	91,998,944	143,856,089	1,640,390	–	145,496,479

		2020 Rupees	2019 Rupees
12.2	**Particulars of advances (Gross)**		
	In local currency	9,328,921,388	10,093,449,328
	In foreign currencies	15,916,053	15,916,053
		9,344,837,441	10,109,365,381

12.3 Advances include Rs. 3,894,704,806 (2019: Rs. 4,069,013,884) which have been placed under non-performing status as detailed below:-

	2020		2019	
	Non Performing loans	Provision	Non Performing loans	Provision
	Rupees		Rupees	
Category of Classification				
Domestic				
Substandard	–	–	317,313,987	79,328,497
Doubtful	309,470,937	154,735,469	750,000,000	–
Loss	3,585,233,869	2,379,111,545	3,001,699,897	2,160,832,345
	3,894,704,806	2,533,847,014	4,069,013,884	2,240,160,842
Overseas	–	–	–	–
Total	3,894,704,806	2,533,847,014	4,069,013,884	2,240,160,842

12.4 **Particulars of provision against advances**

	Note	2020			2019		
		Specific	General	Total	Specific	General	Total
		Rupees			Rupees		
Opening balance		2,240,160,842	–	2,240,160,842	2,162,852,622	–	2,162,852,622
Charge for the year		465,742,475	–	465,742,475	199,619,330	–	199,619,330
Reversals		(147,422,401)	–	(147,422,401)	(122,311,110)	–	(122,311,110)
		318,320,074	–	318,320,074	77,308,220	–	77,308,220
Amounts written off	12.5	(24,633,902)	–	(24,633,902)	–	–	–
Closing balance		2,533,847,014	–	2,533,847,014	2,240,160,842	–	2,240,160,842

12.4.1 Particulars of provision against advances

	2020			2019		
	Specific	General	Total	Specific	General	Total
		Rupees			Rupees	
In local currency	2,517,930,961	–	2,517,930,961	2,224,244,789	–	2,224,244,789
In foreign currencies	15,916,053	–	15,916,053	15,916,053	–	15,916,053
	2,533,847,014	–	2,533,847,014	2,240,160,842	–	2,240,160,842

12.4.2 The net FSV benefit already availed has been decreased by Rs. 9.745 million, which has resulted addition in specific provision for the year by the same amount. Had the FSV benefit not changed, before and after tax profit for the year would have been increased by Rs. 9.745 million (2019: lower by Rs. 781.681 million) and Rs. 6.919 million (2019: Rs. lower by 554.994 million) respectively. Further, at December 31, 2020, cumulative net of tax benefit availed for Forced Sale Value (FSV) was Rs. 856.347 million (2019: Rs. 863.266 million) under BSD circular No. 1 of 2011 dated October 21, 2011. Reserves and un-appropriated profit to that extent are not available for distribution by way of cash or stock dividend.

		Note	2020 Rupees	2019 Rupees
12.5	**Particulars of write offs:**			
12.5.1	Against Provisions	12.4	24,633,902	–
	Directly charged to Profit & Loss account		–	–
			24,633,902	–
12.5.2	Write Offs of Rs. 500,000 and above	12.6		
	- Domestic		24,633,902	–
	- Overseas		–	–
	Write Offs of Below Rs. 500,000		–	–
			24,633,902	–

12.6 Details of loan write off of Rs. 500,000/- and above

In terms of sub-section (3) of Section 33A of the Banking Companies Ordinance, 1962 the statement in respect of written off loans or any other financial relief of Rs. 500,000 or above allowed to a person(s) during the year ended December 31, 2020 is given at Annexure I.

		Note	2020 Rupees	2019 Rupees
13.	**FIXED ASSETS**			
	Capital work-in-progress	13.1	3,366,482	7,059,370
	Property and equipment	13.2	2,929,386,491	3,010,401,637
	Right of use assets under IFRS-16 Leases		23,494,952	37,280,633
			2,956,247,925	3,054,741,640
13.1	**Capital work-in-progress**			
	Advances to suppliers		3,366,482	7,059,370
			3,366,482	7,059,370

13.2 Property and Equipment

	2020											
	Free hold land	Leasehold land	Building Karachi office	Building on leasehold land	Furniture and fixture	Office equipment	Vehicles	Heating and air conditioning	Elevators	Security systems	Electrical fittings, fire fighting equipment and others	Total
	Rupees											
At January 1, 2020												
Cost / Revalued amount	–	1,743,975,000	36,597,000	996,328,224	13,794,395	49,022,395	89,114,061	101,520,389	47,000,000	5,327,507	159,131,259	3,241,810,230
Accumulated depreciation	–	27,729,201	1,463,878	39,842,306	11,466,921	39,875,835	56,675,549	14,973,999	7,049,996	810,752	31,520,156	231,408,593
Net book value	–	1,716,245,799	35,133,122	956,485,918	2,327,474	9,146,560	32,438,512	86,546,390	39,950,004	4,516,755	127,611,103	3,010,401,637
Year ended December 31, 2020												
Opening net book value	–	1,716,245,799	35,133,122	956,485,918	2,327,474	9,146,560	32,438,512	86,546,390	39,950,004	4,516,755	127,611,103	3,010,401,637
Additions	–	–	–	86,100	141,804	5,352,694	28,497,472	–	1,090,798	–	22,568,613	57,737,481
Disposals												
- Cost / Revalued amount	–	–	–	–	(25,327)	(1,269,808)	(17,851,552)	–	–	(1,949)	(1,267,019)	(20,415,655)
- Accumulated depreciation	–	–	–	–	25,323	1,147,605	14,745,190	–	–	516	1,267,012	17,185,646
	–	–	–	–	(4)	(122,203)	(3,106,362)	–	–	(1,433)	(7)	(3,230,009)
Depreciation charge	–	(27,729,201)	(1,463,878)	(39,853,200)	(742,841)	(5,369,591)	(14,165,736)	(15,073,349)	(7,110,842)	(799,016)	(23,214,964)	(135,522,618)
Closing net book value	–	1,688,516,598	33,669,244	916,718,818	1,726,433	9,007,460	43,663,886	71,473,041	33,929,960	3,716,306	126,964,745	2,929,386,491
At December 31, 2020												
Cost / Revalued amount	–	1,743,975,000	36,597,000	996,414,324	13,910,872	53,105,281	99,759,981	101,520,389	48,090,798	5,325,558	180,432,853	3,279,132,056
Accumulated depreciation	–	55,458,402	2,927,756	79,695,506	12,184,439	44,097,821	56,096,095	30,047,348	14,160,838	1,609,252	53,468,108	349,745,565
Net book value	–	1,688,516,598	33,669,244	916,718,818	1,726,433	9,007,460	43,663,886	71,473,041	33,929,960	3,716,306	126,964,745	2,929,386,491
Rate of depreciation (percentage)	–	1.50	4	4	20	33.33	20	15	15	15	15	

	2019											
	Free hold land	Leasehold land	Building Karachi office	Building on leasehold land	Furniture and fixture	Office equipment	Vehicles	Heating and air conditioning	Elevators	Security systems	Electrical fittings, fire fighting equipment and others	Total
	Rupees											
At January 1, 2019												
Cost / Revalued amount	8,088,120	1,743,975,000	36,597,000	998,328,000	14,844,469	45,093,649	93,255,131	98,724,047	47,000,000	5,522,571	134,968,312	3,226,396,299
Accumulated depreciation	–	–	–	–	12,755,447	37,699,603	49,791,859	253,643	-	11,670	14,225,701	114,737,923
Net book value	8,088,120	1,743,975,000	36,597,000	998,328,000	2,089,022	7,394,046	43,463,272	98,470,404	47,000,000	5,510,901	120,742,611	3,111,658,376
Year ended December 31, 2019												
Opening net book value	8,088,120	1,743,975,000	36,597,000	998,328,000	2,089,022	7,394,046	43,463,272	98,470,404	47,000,000	5,510,901	120,742,611	3,111,658,376
Additions	–	–	–	596,000	868,654	6,127,069	7,438,388	3,050,000	–	–	28,560,334	46,640,445
Disposals												
- Cost / Revalued amount	(8,088,120)	–	–	(2,595,776)	(1,918,728)	(2,198,323)	(11,579,458)	(253,658)	–	(195,064)	(4,397,387)	(31,226,514)
- Accumulated depreciation	–	–	–	46,390	1,918,566	2,198,310	9,526,703	253,643	–	13,069	3,900,218	17,856,899
	(8,088,120)	–	–	(2,549,386)	(162)	(13)	(2,052,755)	(15)	–	(181,995)	(497,169)	(13,369,615)
Depreciation charge	–	(27,729,201)	(1,463,878)	(39,888,696)	(630,040)	(4,374,542)	(16,410,393)	(14,973,999)	(7,049,996)	(812,151)	(21,194,673)	(134,527,569)
Closing net book value	–	1,716,245,799	35,133,122	956,485,918	2,327,474	9,146,560	32,438,512	86,546,390	39,950,004	4,516,755	127,611,103	3,010,401,637
At December 31, 2019												
Cost / Revalued amount	–	1,743,975,000	36,597,000	996,328,224	13,794,395	49,022,395	89,114,061	101,520,389	47,000,000	5,327,507	159,131,259	3,241,810,230
Accumulated depreciation	–	27,729,201	1,463,878	39,842,306	11,466,921	39,875,835	56,675,549	14,973,999	7,049,996	810,752	31,520,156	231,408,593
Net book value	–	1,716,245,799	35,133,122	956,485,918	2,327,474	9,146,560	32,438,512	86,546,390	39,950,004	4,516,755	127,611,103	3,010,401,637
Rate of depreciation (percentage)	–	1.50	4	4	20	33.33	20	15	15	15	15	

13.3 Details of disposal of operating fixed assets

Particular of assets	Cost / revalued amount	Accumulated depreciation	Net book value	Sale proceeds	Mode of disposal	Particulars of buyer
	Rupees					
Furniture and fixture						
Chair Arc Econo Executive	9,802	9,801	1	1,000	Auction	Suleman Khan
Chair Executive	5,175	5,174	1	500	Auction	Suleman Khan
Chair Executive	5,175	5,174	1	500	Auction	Suleman Khan
Chair Executive	5,175	5,174	1	500	Auction	Suleman Khan
	25,327	25,323	4	2,500		
Office equipment						
Laptop - Dell Latitude E3570	106,704	96,201	10,503	42,682	As per policy *	Hina Khalid
Mobile - Samsung A70	67,500	13,467	54,033	54,033	As per policy *	Hina Khalid
Gestetner Multifuntion Mp-2501 Printer	249,912	249,911	1	16,000	Auction	Clover Pakistan Ltd
Gestetner Multifuntion Mp-2501 Printer	249,912	249,911	1	16,000	Auction	Clover Pakistan Ltd
Gestetner Multifuntion Mp-2501 Printer	235,280	235,279	1	16,000	Auction	Clover Pakistan Ltd
Mobile - iPhone	100,000	85,000	15,000	15,000	As per policy *	Sh Aftab Ahmed
Mobile - iPhone	100,000	57,338	42,662	42,662	As per policy *	Fozia Fakhar
Mobile - Huawei Mate 10	67,500	67,499	1	1	As per policy *	Khawar Ashfaq
Mobile - Samsung Note 8	93,000	92,999	1	1	As per policy *	Yawar Khan Afridi
	1,269,808	1,147,605	122,203	202,379		
Vehicles						
Suzuki Cultus - CZ-137	1,064,390	1,064,389	1	1	As per policy *	Abdul Nasir
Suzuki Cultus - CZ-130	1,069,390	1,069,389	1	1	As per policy *	Umair Hashim
Suzuki Cultus - CZ-876	1,069,390	1,069,389	1	1	As per policy *	Maqsood Ahmed Sh
Suzuki Cultus - CZ-127	1,069,390	1,069,389	1	1	As per policy *	Gohar Ayub Marth
Suzuki Cultus - CZ-145	1,064,390	1,064,389	1	1	As per policy *	Muhammad Aslam
Suzuki Cultus - DD-685	1,058,800	1,058,799	1	1	As per policy *	Arif Majeed Butt
Honda City - ADX-289	1,856,024	1,004,115	851,909	851,909	As per policy *	Hina Khalid
Toyota Corolla GLI 1.3 - DA-282	1,883,940	1,883,939	1	1,875,000	Auction	Augmentech Business Solutions
Honda CD-70 - AND-861	71,900	71,899	1	27,800	Auction	Rizwan Mazhar
Suzuki Cultus - AED-685	1,407,794	769,335	638,459	638,459	As per policy *	Aurangzeb
Toyota Corolla Altix Grandy 1.8L - BDL-747	2,361,450	2,361,449	1	2,267,841	Auction	Augmentech Business Solutions
Suzuki Cultus - BEJ-544	1,054,100	1,054,099	1	1	As per policy *	Mohammad Farman
Honda Civic i-Vtec Oriel - AKU-978	2,820,594	1,204,610	1,615,984	1,615,984	As per policy *	Fozia Fakhar
	17,851,552	14,745,190	3,106,362	7,277,000		

Particular of assets	Cost / revalued amount	Accumulated depreciation	Net book value	Sale proceeds	Mode of disposal	Particulars of buyer
	Rupees					
Security systems						
Road Blocker	1,949	516	1,433	1,500	Auction	Suleman Khan
Electrical fittings, fire fighting equipment and others						
Leasehold improvement - Islamabad office (Grill)	637,524	637,523	1	7,000	Auction	Suleman Khan
Leasehold improvement - Islamabad office (Grill)	322,263	322,262	1	5,000	Auction	Suleman Khan
Haier Split Ac 2 Ton	81,956	81,955	1	2,000	Auction	Suleman Khan
Ascon Split Ac 2 Ton	100,701	100,700	1	4,000	Auction	Suleman Khan
LG Jet Cool Split Ac 1.5 Ton	41,500	41,499	1	3,000	Auction	Suleman Khan
LG Jet Cool Split Ac 2 Ton	57,675	57,674	1	3,000	Auction	Suleman Khan
Air Curtain 5 Feet	25,400	25,399	1	2,000	Auction	Suleman Khan
	1,267,019	1,267,012	7	26,000		
	20,415,655	17,185,646	3,230,009	7,509,379		

* These items were sold to employees including key management personnel in accordance with policy of the Company.

13.4 Revaluation of property and equipment

The property and equipment of the Company were revalued by independent professional valuer as at December 31, 2018. The revaluation was carried out by M/s Impulse (Pvt) Limited on the basis of professional assessment of present market values and resulted in increase in surplus by Rs. 670.956 million. The total surplus arising against revaluation of fixed assets as at December 31, 2018 amounted to Rs. 2,845.426 million.

		2020 Rupees	2019 Rupees
13.5	**Cost / revalued amount of fully depreciated assets that are still in use:**		
	Furniture and fixture	10,276,514	10,022,382
	Office equipment	34,594,697	33,724,338
	Vehicles	28,112,562	35,417,150
	Heating and air conditioning	–	–
	Electrical fittings, fire fighting equipment and others	7,673,966	7,632,689
		80,657,739	86,796,559

		2020 Computer Software Rupees	2019 Computer Software Rupees
14.	**INTANGIBLE ASSETS**		
	At January 1		
	Cost	23,843,863	18,444,707
	Accumulated amortisation and impairment	15,355,788	12,682,396
	Net book value	8,488,075	5,762,311
	Year ended December 31		
	Opening net book value	8,488,075	5,762,311
	Additions - directly purchased	2,887,640	5,399,156
	Disposals		
	- Cost	–	–
	- Accumulated depreciation	–	–
		–	–
	Amortisation charge	4,146,275	2,673,392
	Closing net book value	7,229,440	8,488,075
	At December 31		
	Cost	26,731,503	23,843,863
	Accumulated amortisation and impairment	19,502,063	15,355,788
	Net book value	7,229,440	8,488,075
	Rate of amortisation (percentage)	33.33	33.33
	Useful life (years)	3	3

14.1 Cost of fully amortized intangible assets still in use amount to Rs. 11,805,299 (2019: Rs. 11,578,851).

		Note	2020 Rupees	2019 Rupees
15.	**OTHER ASSETS**			
	Income/ mark-up accrued in local currency - net of provision			
	On investments		998,046,764	955,893,071
	On advances		108,403,187	149,289,077
	On lending to financial institutions		21,039	28,603
			1,106,470,990	1,105,210,751
	Advances, deposits, advance rent and other prepayments		45,453,474	106,473,809
	Advance taxation (payments less provisions)		702,121,670	485,441,392
	Excise duty		78,817,895	78,817,895
	Non-banking assets acquired in satisfaction of claims	15.1	139,309,214	142,373,909
	Dividend receivable		21,022,808	57,122,548
	Other receivables		2,508,909	6,082,643
			2,095,704,960	1,981,522,947
	Less: Provision held against other assets	15.2	(256,792)	(256,792)
	Other assets (net of provision)		2,095,448,168	1,981,266,155
	Surplus on revaluation of non-banking assets acquired in satisfaction of claims		23,920,343	24,442,663
	Other assets - total		2,119,368,511	2,005,708,818
15.1	Market value of Non-banking assets acquired in satisfaction of claims		169,677,403	169,677,403

The non banking asset acquired from DJM AR Securities represents land located in Gadap Town, Karachi and was initially recorded in the financial statement in July 2009. This asset was last revalued by independent professional valuer M/s Surval in December 2019 at Rs. 98 million.

The non banking asset acquired from Irfan Textile represents office area on 1st floor of Famous Mall, Lahore and was initially recorded in the financial statement in June 2007. This asset was last revalued by independent professional valuers M/s Amir Evaluators & Consultants in November 2018 at Rs. 71.5 million.

		2020 Rupees	2019 Rupees
15.1.1	**Non-banking assets acquired in satisfaction of claims**		
	Opening Balance	166,816,572	155,199,848
	Revaluation	–	14,477,555
	Depreciation	(3,587,015)	(2,860,831)
	Closing Balance	163,229,557	166,816,572

15.1.2 During the year, there was no disposal against non banking asset acquired in satisfaction of claim.

		2020 Rupees	2019 Rupees
15.2	**Provision held against other assets**		
	Advances, deposits, advance rent & other prepayments	256,792	256,792

		Note	2020 Rupees	2019 Rupees
15.2.1	**Movement in provision held against other assets**			
	Opening balance		256,792	4,075,062
	Charge for the year		–	–
	Reversals / transfer		–	(3,818,270)
	Amount Written off		–	–
	Closing balance		256,792	256,792
16.	**BORROWINGS**			
	Secured			
	Borrowings from State Bank of Pakistan under refinance scheme			
	Long term financing facility (LTFF)	16.1	872,306,098	736,913,986
	Repurchase agreement borrowings	16.2	26,476,540,000	15,855,438,740
	Against book debts/receivables	16.3	4,970,833,336	6,166,666,668
	Total secured		32,319,679,434	22,759,019,394
	Total unsecured		–	–
			32,319,679,434	22,759,019,394

16.1 These represent facilities obtained against State Bank of Pakistan refinance schemes under LTFF. The mark up is charged at the rate of 2.00% (2019: 2.00%) per annum. These facilities will mature during January 2021 to December 2028 (2019: January 2020 to October 2028).

16.2 These facilities were secured against government securities (PIBs). These carry markup at rates ranging from 7.20% to 7.30% (2019: 13.32% to 13.65%) per annum having maturity during January 2021 (2019: January 2020 and February 2020).

16.3 These represent facilities obtained from various banks against charge on book debts/receivables valuing Rs. 12,000 million (2019: Rs. 10,667 million). The mark up is charged at varying rates ranging from 7.48% to 7.64% (2019: 13.71% to 14.38%) per annum. These facilities will mature during January 2021 to April 2025 (2019: January 2020 to March 2024).

		Note	2020 Rupees	2019 Rupees
16.4	**Particulars of borrowings with respect to Currencies**			
	In local currency		32,319,679,434	22,759,019,394
	In foreign currencies		–	–
			32,319,679,434	22,759,019,394
17.	**DEPOSITS AND OTHER ACCOUNTS**			
	Customers			
	- Term deposits (local currency)		2,445,800,000	510,000,000
17.1	**Composition of deposits**			
	- Public Sector Entities	17.2	2,435,800,000	500,000,000
	- Non-Banking Financial Institutions	17.3	10,000,000	10,000,000
			2,445,800,000	510,000,000

17.2 These represent Certificate of Investments (COIs) issued to Port Qasim Authority & National Fertilizer Corporation of Pakistan for Rs. 2,435.80 million (2019: Rs. 500 million). These COIs carry mark up at the rates ranging from 7.00% to 7.51% (2019: 13.66%) per annum and is repayable during January 2021 to June 2021 (2019: February 2020).

17.3 These represent Certificate of Investments (COIs) issued to Saudi Pak Employees Contributory Provident Fund for Rs. 10 million (2019: Rs. 10 million). These COIs carry mark up at the rate of 7.30% (2019: 13.93%) per annum and is repayable in March 2021 (2019: March 2020).

18. DEFERRED TAX LIABILITIES

	2020				
	At January 1, 2020	Recognised in P&L A/C	Recognised in Equity	Recognised in OCI	At December 31, 2020
	Rupees				
Deductible Temporary Differences on					
Actuarial loss on defined benefit plan	(4,710,781)	–	–	(383,828)	(5,094,609)
Surplus / (deficit) on revaluation of securities - AFS	37,127,436	–	–	(124,684,721)	(87,557,285)
Provision on non-performing loans	(507,787,000)	(85,169,000)	–	–	(592,956,000)
Impairment loss on available for sale quoted securities	(88,542,914)	(3,396,344)	–	–	(91,939,258)
	(563,913,259)	(88,565,344)	–	(125,068,549)	(777,547,152)
Taxable Temporary Differences on					
Accelerated tax depreciation	24,545,468	(1,639,646)	–	–	22,905,822
Dividend receivable	8,568,382	(3,312,680)	–	–	5,255,702
Net investment in leases	32,770,878	(14,100,820)	–	–	18,670,058
Surplus on revaluation of securities - HFT	-	241,065	–	–	241,065
Surplus on revaluation of operating fixed assets	797,494,580	(26,722,800)	–	–	770,771,780
	863,379,308	(45,534,881)	–	–	817,844,427
	299,466,049	(134,100,225)	–	(125,068,549)	40,297,275

	2019				
	At January 1, 2019	Recognised in P&L A/C	Recognised in Equity	Recognised in OCI	At December 31, 2019
	Rupees				
Deductible Temporary Differences on					
Actuarial loss on defined benefit plan	(4,970,470)	–	–	259,689	(4,710,781)
Surplus on revaluation of securities - AFS	(33,796,890)	–	–	70,924,326	37,127,436
Provision on non-performing loans	(518,330,000)	10,543,000	–	–	(507,787,000)
Impairment loss on available for sale quoted securities	(55,490,390)	(33,052,524)	–	–	(88,542,914)
	(612,587,750)	(22,509,524)	–	71,184,015	(563,913,259)
Taxable Temporary Differences on					
Accelerated tax depreciation	24,326,184	219,284	–	–	24,545,468
Dividend receivable	3,123,776	5,444,606	–	–	8,568,382
Net investment in leases	32,325,334	445,544	–	–	32,770,878
Surplus on revaluation of operating fixed assets	825,173,482	(27,678,902)	–	–	797,494,580
	884,948,776	(21,569,468)	–	–	863,379,308
	272,361,026	(44,078,992)	–	71,184,015	299,466,049

	Note	2020 Rupees	2019 Rupees
19. OTHER LIABILITIES			
Mark-up / Return / Interest payable in local currency		281,881,028	269,614,014
Accrued expenses		35,106,627	35,299,651
Advance rental income	19.1	128,652,468	128,147,027
Security deposits against rented properties	19.2	28,816,242	29,469,122
Payable to defined benefit plan	37	8,358,804	6,343,905
Provision for compensated absences		8,535,693	7,871,454
Directors' remuneration		4,647,610	5,267,290
Payable to stock brokers - net		341,946	529,004
Lease liability against ROU assets as per IFRS - 16 Leases		13,731,755	24,685,169
Others		7,696,847	5,496,014
		517,769,021	512,722,650

19.1 This represents rent received in advance for premises let out in the Saudi Pak Tower, Jinnah Avenue, Blue Area, Islamabad.

19.2 This includes security deposits from tenants amounting to Rs. 28.816 million (2019: Rs. 29.469 million) including security deposit from related party amounting to Rs. 0.402 million (2019: Rs. 0.402 million).

20. SHARE CAPITAL

20.1 Authorized Capital

2020 Number of Share	2019 Number of Share		2020 Rupees	2019 Rupees
1,000,000,000	1,000,000,000	Ordinary shares of Rs. 10 each	10,000,000,000	10,000,000,000

20.2 Issued, subscribed and paid up share capital

2020 Number of Share	2019 Number of Share		2020 Rupees	2019 Rupees
		Ordinary shares		
400,000,000	400,000,000	Fully paid in cash	4,000,000,000	4,000,000,000
260,000,000	260,000,000	Issued as bonus shares	2,600,000,000	2,600,000,000
660,000,000	660,000,000		6,600,000,000	6,600,000,000

20.3 State Bank of Pakistan on behalf of the Government of Pakistan and Ministry of Finance, KSA on behalf of Kingdom of Saudi Arabia are equal shareholders of the Company.

		Note	2020 Rupees	2019 Rupees
21.	**SURPLUS ON REVALUATION OF ASSETS**			
	Surplus / (deficit) on revaluation of			
	- Available for sale securities	11.1	(583,715,235)	247,516,244
	- Fixed Assets	21.1	2,657,833,730	2,749,981,314
	- Non-banking assets acquired in satisfaction of claims	21.2	23,920,343	24,442,663
			2,098,038,838	3,021,940,221
	Deferred tax on surplus / (deficit) on revaluation of:			
	- Available for sale securities		87,557,285	(37,127,436)
	- Fixed Assets	21.1	(770,771,780)	(797,494,580)
	- Non-banking assets acquired in satisfaction of claims		–	–
			(683,214,495)	(834,622,016)
			1,414,824,343	2,187,318,205
21.1	**Surplus on revaluation of fixed assets**			
	Surplus on revaluation of fixed assets as at January 1		2,749,981,314	2,845,425,798
	Recognised during the year		–	–
	Realised on disposal during the year - net of deferred tax		–	(2,281,810)
	Related deferred tax liability on surplus realised on disposal		–	(932,007)
	Transferred to unappropriated profit in respect of incremental depreciation charged during the year - net of deferred tax		(65,424,784)	(65,483,772)
	Related deferred tax liability on incremental depreciation charged during the year		(26,722,800)	(26,746,895)
	Surplus on revaluation of fixed assets as at December 31		2,657,833,730	2,749,981,314
	Less: related deferred tax liability on:			
	- revaluation as at January 1		797,494,580	825,173,482
	- revaluation recognised during the year		–	–
	- surplus realised on disposal during the year		–	(932,007)
	- Impact of change in tax rate		–	–
	- incremental depreciation charged during the year		(26,722,800)	(26,746,895)
			770,771,780	797,494,580
			1,887,061,950	1,952,486,734
21.2	**Surplus on revaluation of non-banking assets acquired in satisfaction of claims**			
	Surplus on revaluation as at January 1		24,442,663	10,380,320
	Recognised during the year		–	14,477,555
	Incremental depreciation		(522,320)	(415,212)
	Surplus on revaluation as at December 31		23,920,343	24,442,663

		Note	2020 Rupees	2019 Rupees
22.	**CONTINGENCIES AND COMMITMENTS**			
	-Guarantees	22.1	502,224,393	176,670,000
	-Commitments	22.2	2,091,293,614	2,294,368,827
			2,593,518,007	2,471,038,827
22.1	**Guarantees:**			
	Financial guarantees		502,224,393	176,670,000
22.2	**Commitments:**			
	Commitment for the acquisition of:			
	- Operating fixed assets		2,964,301	5,384,107
	- Intangible assets		2,329,313	2,984,720
			5,293,614	8,368,827
	Non disbursed commitment for term and working capital finance		2,086,000,000	2,286,000,000
			2,091,293,614	2,294,368,827

22.3 Other contingent liabilities

22.3.1 Tax contingencies

i) The Appellate Tribunal Inland Revenue Islamabad did not accept the Company's contention on certain matters in the appeals relating to tax years 2004 to 2006, 2008 to 2010 and 2012 to 2014. The issues under consideration include disallowance of provision of non performing loans and apportionment of expenses between income subject to final tax regime and normal tax regime. The Company has filed tax references before the Islamabad High Court. The references for the years 2004 to 2006 and 2008 to 2010 have been admitted for hearing whereas the references for tax years 2012 to 2014 are at pre-admission stage. All the references are yet to be disposed by the Islamabad High Court.

The related total tax demands for all the aforesaid tax years aggregates to Rs 1,165.87 million out of which Rs 761.35 million has been paid by / recovered from the Company.

ii) For tax years 2015 and 2017 proceedings under section 122(5A) of the Income Tax Ordinance 2001 (the Ordinance) were intiated and demands for amount of Rs 520 million and Rs 416 million were respectively created for the aforesaid years. The Company preferred appeals in the aforesaid cases before Commissioner Inland Revenue - Appeals [CIR(A)] who in terms of separate appellate orders remanded majority of the matters to the assessing officer and on certain matters upheld the actions of assessing officer. The Company has preferred separate appeals before ATIR for aforesaid cases which are pending adjudication.

iii) For the tax year 2016, the assessing officer amended the company's assessment under section 122(5A) of the Ordinance and created a demand of Rs 143.354 million by making various add backs and disallowances.The Company preferred appeal before CIR(A). The CIR(A) partially accepted company's contention on matters raised in appeal but on various matters either upheld contention of assessing officer or remanded back the matters for due consideration. The company has filed appeal before AppellateTribunal Inland Revenue (ATIR) which is pending adjudication.

iv) For tax year 2018, Additional Commissioner Inland Revenue (ACIR) amended the company's assessment under section 122(5A) of the Ordinance and created a demand of Rs 383.82 million by making various add backs and disallowances. The company filed an appeal in this respect before the Commissioner Inland Revenue-Appeals CIR(A) who remanded majority issues and also upheld the actions of ACIR on certain issues. The company has filed an appeal before AppellateTribunal Inland Revenue (ATIR) which is pending for adjudication.

v) For tax years 2015 to 2017 proceedings under section 161 were initiated and cummulative demand of Rs 276 million was created on account of alleged default in withholding of tax. The company preferred appeal before the Commissioner- Appeals CIR(A) who remanded back certain issues and upheld certain matters. The company has preferred further appeal in this respect before Appellate Tribunal Inland Revenue (ATIR), which is pending for adjudication.

The management, based on the opinion of its legal counsels, believes that the above mentioned matters are most likely to be decided in favour of the company at superior appellate forums and further charge is not required to be recognised and carried in these matters in the financial statements.

22.3.2 Other contingencies

i) MACPAC Films Limited (Suit No.B-24/2014 of Rs. 1,040.623 million)

Macpac Films Limited Karachi ("Customer") availed a Term Finance of Rs.125 million in 2003/04 and then defaulted. In 2011, a settlement package was approved by Saudi Pak which contained waiver/write-off of Rs. 72.66 million on a/c of Markup and Liquidated Damages subject to payment of Rs.100.14 million. The Customer accepted and paid Rs.100.14 million. The write off/waiver was reported to the Credit Information Bureau of the State Bank of Pakistan (SBP) in compliance with regulatory requirements. Customer requested the Company and SBP to remove its name from CIB as it was allegedly reflecting bad on its business. Neither SBP nor the Company agreed however, the Customer filed the subject suit in 2014 in the Sindh High Court, Karachi which is being contested on merits. On the Court's direction, SBP has also filed comments endorsing regulatory compliance by the Company. So far, the Customer could not yet complete its evidence. Mr. Maqbool Elahi, CEO of the customer died on 14 May 2020, whereof evidence on its behalf will now be recorded by the new CEO, Mr. Najamul Hassan, whose Affidavit in evidence was also filed. The Company is confident that there is no substance in the present suit and that it will be dismissed after due process of law.

ii) Muhammad Zafar Sultan Paracha vs. Saudi Pak, Federation of Pakistan, DHA, Mukhtiarkar Gadap Town, Karachi (Suit No.1065/2014 of Rs.200.00 million)

On April 27, 2014, the Company invited bids for the sale of four properties i.e. farm house at Gadap Town and three plots (DHA Plots No.9-C, 17-C, 20-C) at Karachi. Highest bid of Rs.134.50 million offered by Mr. Mudassir for only three plots at DHA was accepted, down payment was received and sale agreement dated June 2, 2014 was executed between the Company and the highest bidder through his nominee. Mr. Zafar Sultan Paracha had offered a lower bid of Rs. 93.00 million against all the four properties therefore rejected. He filed the subject suit in the Sindh High Court, Karachi and obtained an interim stay on July 5, 2014 restraining transfer of the above mentioned plots. The Company contested and got the stay vacated through Court as a result, three plots at DHA were transferred to the buyer after receipt of balance sale consideration. Mr. Piracha then filed an Appeal in the Court against the Stay Vacation Order which is also contested by the Company, separately. While vacating the stay order, the learned Judge of the Sindh High Court had observed that remaining suit to the extent of damages claimed against alleged loss of business opportunity etc, will separately be heard and decided. The Company filed its reply in the Court with a prayer to dismiss this suit. The Company is confident that there is no substance in this suit and will be dismissed per company's contention after due process of law.

iii) Kohinoor Spinning Mills Limited and its Guarantors vs. Saudi Pak (Suite No.258676/2018 of Rs.600 million)

The Customer had availed Term Finance Facility (TFF) of Rs. 400 million from the Company in 2014 but defaulted after part payments whereof the Company filed a recovery suit of Rs.396.085 million against the Customer and its directors/guarantors in the Lahore High Court, Lahore in which proceedings still continue. In 2018, the Customer has filed a Damages Suit of Rs. 600 million against the Company in the same court. The Customer alleged that TFF of Rs. 400 million approved by the Company was not disbursed to the Customer and that due to non-disbursement of the approved TFF, the Customer suffered business losses of Rs. 200 million. Its reply was filed by the Company. Case is at evidence stage. Customer has filed Affidavits in evidence of its witnesses and case is fixed for cross examination of customer's witnesses on January 19, 2021. The Company's evidence will be recorded after completion of customer's evidence. The Company believes that the suit of the Customer is a counter move to the Company's initiated litigation and further reply to this has been filed by the Company in the Court. The management believes there is no substance in this suit and will be dismissed on merits after due process of law.

23. Presently, the Company does not deal in derivative products.

	Note	2020 Rupees	2019 Rupees
24. MARK-UP / RETURN / INTEREST EARNED			
On loans and advances		708,767,311	883,559,946
On investments		3,008,566,834	1,377,709,843
On lendings to financial institutions		11,753,210	44,238,145
On balances with banks		3,941,104	8,860,461
		3,733,028,459	2,314,368,395
25. MARK-UP / RETURN / INTEREST EXPENSED			
Deposits	25.1	128,608,109	40,350,914
Borrowings			
Securities purchased under repurchase agreements		1,774,852,243	754,623,298
Other short term borrowings		328,951,849	152,267,191
Long term finance for export oriented projects from SBP		16,364,944	12,867,318
Long term borrowings		475,997,927	585,796,215
		2,596,166,963	1,505,554,022
Interest expense on lease liability against ROU assets		3,346,056	162,495
Brokerage fee		12,664,782	5,016,727
		2,740,785,910	1,551,084,158

25.1 The markup expensed amounting to Rs. 1,133,499 (2019: Rs. 1,011,781) relates to Saudi Pak Employees Contributory Fund.

		Note	2020 Rupees	2019 Rupees
26.	**FEE & COMMISSION INCOME**			
	Credit related fees		551,724	14,100,812
	Commission on trade		2,500,000	–
	Commission on guarantees		–	598,982
			3,051,724	14,699,794
27.	**GAIN / (LOSS) ON SECURITIES**			
	Realised	27.1	221,795,363	21,578,967
	Unrealised - held for trading	11.1	1,607,097	–
			223,402,460	21,578,967
27.1	**Realised gain / (loss) on:**			
	Federal Government Securities		79,638,252	38,440,661
	Mutual funds		(1,962,812)	578,000
	Shares- listed		144,119,923	(17,439,694)
			221,795,363	21,578,967
28.	**OTHER INCOME**			
	Rent on property - net	28.1	217,838,256	190,854,909
	Gain / (loss) on sale of fixed assets - net		4,279,370	11,615,873
	Gain on sale of non banking assets - net		–	–
	Others		2,269,312	1,229,371
			224,386,938	203,700,153
28.1	**Rent on property - net**			
	Rental income		415,400,843	380,806,613
	Less: Property expense			
	Salaries, allowances and employee benefits		26,585,061	27,606,476
	Traveling and conveyance		10,808	2,000
	Medical		455,637	521,100
	Janitorial services		10,812,610	10,759,290
	Security services		21,938,390	20,426,942
	Insurance		2,204,515	2,221,985
	Postage, telegraph, telegram and telephone		111,921	42,534
	Printing and stationery		19,832	82,965
	Utilities		17,492,325	18,633,199
	Consultancy and professional charges		760,000	283,960
	Repairs and maintenance		13,022,248	10,230,550
	Rent, rates and taxes		4,228,899	1,314,513
	Depreciation		99,095,290	97,289,655
	Staff training		–	–
	Office general expenses		825,051	536,535
			197,562,587	189,951,704
			217,838,256	190,854,909

		Note	2020 Rupees	2019 Rupees
29.	**OPERATING EXPENSES**			
	Total compensation expense	29.1	244,460,312	229,726,395
	Property expense			
	Rent & taxes		750,280	17,941,999
	Insurance		314,930	317,427
	Utilities cost		15,293,287	11,113,500
	Security (including guards)		4,352,852	4,188,200
	Repair & maintenance (including janitorial charges)		3,404,980	2,998,548
	Depreciation on ROU assets		13,785,681	629,991
	Depreciation		14,156,470	13,898,522
			52,058,480	51,088,187
	Information technology expenses			
	Software maintenance		5,861,208	4,989,476
	Hardware maintenance		1,487,590	1,996,244
	Amortisation		4,146,275	2,673,392
	Network charges		3,039,656	3,672,184
			14,534,729	13,331,296
	Other operating expenses			
	Shareholders' fee		4,647,610	5,267,290
	Directors' fees and allowances		18,393,314	21,805,988
	Legal & professional charges		6,546,405	7,022,020
	Consultancy, custodial and rating services		9,641,393	7,341,759
	Outsourced services costs		35,045,751	31,981,827
	Travelling & conveyance		7,281,081	19,616,335
	Depreciation		25,857,874	26,200,222
	Training & development		2,090,237	3,134,363
	Postage & courier charges		673,768	919,125
	Communication		3,653,455	3,821,565
	Stationery & printing		5,291,232	5,744,725
	Marketing, advertisement & publicity		2,496,772	1,485,660
	Donations		1,000,000	1,000,000
	Auditors remuneration	29.2	3,657,157	7,750,780
	Repair & maintenance		3,218,511	3,648,343
	Insurance		1,867,477	2,161,886
	Office and general expenses		11,993,035	10,102,008
	Bank charges		269,564	474,677
			143,624,636	159,478,573
			454,678,157	453,624,451

		Note	2020 Rupees	2019 Rupees
29.1	**Total compensation expense**			
	Fees and Allowances etc.		–	–
	Managerial Remuneration			
	i) Fixed		105,994,311	95,936,704
	ii) Variable			
	of which;			
	a) Cash Bonus / Awards etc.		18,000,000	18,247,600
	b) Bonus & Awards in Shares etc.		–	–
	Charge for defined benefit plan		7,035,259	7,239,386
	Contribution to defined contribution Plan		8,767,230	7,867,787
	Compensated absences		3,575,270	3,113,287
	Leave fare assistance		4,474,640	6,049,355
	Exgratia		7,360,524	6,559,500
	Rent & house maintenance		47,134,748	43,608,916
	Utilities		9,724,660	8,861,828
	Medical		13,705,745	15,320,716
	Conveyance		14,808,645	14,677,063
	Others		3,879,280	2,244,253
	Sub-total		244,460,312	229,726,395
	Sign-on Bonus		–	–
	Severance Allowance		–	–
	Grand Total		244,460,312	229,726,395
29.2	**Auditors' remuneration**			
	Audit fee		1,150,000	1,000,000
	Half yearly review		550,000	550,000
	Fee for other statutory certifications		200,000	200,000
	Out of Pocket expenses		100,000	100,000
			2,000,000	1,850,000
	Fee for other certifications		293,630	50,000
	Special review IFRS 9		–	2,204,000
	Tax services		1,363,527	3,646,780
			3,657,157	7,750,780
30.	**OTHER CHARGES**			
	Penalties imposed by State Bank of Pakistan		–	2,353,000
	Penalties imposed by other regulatory bodies		–	–
			–	2,353,000
31.	**PROVISIONS & WRITE OFFS - NET**			
	Provisions for diminution in value of investments- net	11.3.1	21,964,243	251,178,452
	Provisions / (reversals) against loans & advances- net	12.4	318,320,074	77,308,220
			340,284,317	328,486,672

		Note	2020 Rupees	2019 Rupees
32.	**TAXATION**			
	Current tax			
	Current year		322,692,899	194,040,724
	Prior years		3,955,781	(12,133,596)
			326,648,680	181,907,128
	Deferred tax			
	Current year		(134,100,225)	(44,078,992)
	Prior year		–	–
			(134,100,225)	(44,078,992)
		32.1	192,548,455	137,828,136
32.1	**Relationship between tax expense and accounting profit**			
	Accounting profit for the year		808,798,656	404,900,417
	Tax rate		29%	29%
	Tax on accounting profit		234,551,610	117,421,121
	Tax effect on income subject to lower rate of taxation		(41,392,879)	(33,388,869)
	Tax effect of prior years		3,955,781	(12,133,596)
	Impact of super tax for current year		–	–
	Reversal of deferred tax asset for prior year		–	–
	Permanent differences on			
	Reversal of provision against investment		2,973,287	75,680,078
	Expenses not claimable against rental income		(2,222,073)	(2,866,409)
	Right of use asset under IFRS - 16 Leases		(3,193,904)	(3,835,382)
	Others		(2,123,367)	(3,048,807)
			192,548,455	137,828,136
33.	**BASIC EARNINGS PER SHARE**			
	Profit for the year - Rupees		616,250,201	267,072,281
	Weighted average number of ordinary shares		660,000,000	660,000,000
	Basic earnings per share - Rupee		0.934	0.405
34.	**DILUTED EARNINGS PER SHARE**			
	There are no dilutive instrument, hence basic & diluted earnings are same.			
35.	**CASH AND CASH EQUIVALENTS**			
	Cash and Balance with Treasury Banks		107,773,417	36,408,879
	Balance with other banks		557,227,616	126,036,504
			665,001,033	162,445,383

		2020 (Number)	2019 (Number)
36.	**STAFF STRENGTH**		
	Permanent	69	70
	On Company's contract	5	5
	Company's own staff strength at the end of the year	74	75

36.1 In addition to the above, 92 (2019: 91) employees of outsourcing services companies were assigned to the Company as at the end of the year to perform services other than security and janitorial services. No employee was working abroad.

37. DEFINED BENEFIT PLAN

37.1 General description

The benefits under the gratuity fund are payable in lump sum on retirement at the age of 60 years or earlier cessation of service, subject to minimum service period of three years. The benefit is equal to month's last drawn basic salary for each completed year of eligible service and on pro-rata basis for the incomplete year. The latest actuarial valuation of defined benefit plan was conducted at December 31, 2020 using the Projected unit credit method. Detail of the defined benefit plan are:

37.2 Number of Employees under the scheme

The number of employees covered under the following defined benefit schemes are:

	2020 (Number)	2019 (Number)
Gratuity fund	70	71

37.3 Principal actuarial assumptions

The actuarial valuations were carried out as at December 31, 2020 using the following significant assumptions:

	2020	2019
Discount rate	9.75% per annum	11.25% per annum
Expected rate of salary increase	7.75% per annum	9.25% per annum
Mortality rates	SLIC (2001-05)-1	SLIC (2001-05)-1
Rates of employee turnover	Moderate	Moderate

		2020 Rupees	2019 Rupees
37.4	**Reconciliation of (receivable from) / payable to defined benefit plans**		
	Present value of obligations	62,233,677	52,584,816
	Fair value of plan assets	(53,874,873)	(46,240,911)
	Net liability payable	8,358,804	6,343,905
37.5	**Movement in defined benefit obligations**		
	Obligations at the beginning of the year	52,584,816	45,698,267
	Current service cost	6,358,617	6,008,591
	Interest cost	5,999,861	6,079,749
	Benefits paid by the company	(3,513,477)	(3,786,500)
	Re-measurement loss	803,860	(1,415,291)
	Obligations at the end of the year	62,233,677	52,584,816

		Note	2020 Rupees	2019 Rupees
37.6	**Movement in fair value of plan assets**			
	Fair value at the beginning of the year		46,240,911	35,977,953
	Interest income on plan assets		5,323,219	4,848,954
	Contributions by employer - net		6,343,905	9,720,314
	Actual amount paid by the Fund to the Company		(3,513,477)	(3,786,500)
	Re-measurements: Net return on plan assets over interest income - (loss) / gain	37.8.2	(519,685)	(519,810)
	Fair value at the end of the year		53,874,873	46,240,911
37.7	**Movement in (receivable) / payable under defined benefit schemes**			
	Opening balance		6,343,905	9,720,314
	Charge for the year		7,035,259	7,239,386
	Benefits paid to outgoing members		(3,513,477)	(3,786,500)
	Contribution by the Company - net		(6,343,905)	(9,720,314)
	Re-measurement loss / (gain) recognised in OCI during the year	37.8.2	1,323,545	(895,481)
	Amount paid by the fund to the Company		3,513,477	3,786,500
	Closing balance		8,358,804	6,343,905
37.8	**Charge for defined benefit plans**			
37.8.1	**Cost recognised in profit and loss**			
	Current service cost		6,358,617	6,008,591
	Net interest on defined benefit asset / liability		676,642	1,230,795
			7,035,259	7,239,386
37.8.2	**Re-measurements recognised in OCI during the year**			
	Loss / (gain) on obligation			
	- Demographic assumptions		–	–
	- Financial assumptions		(523,551)	(580,044)
	- Experience adjustments		1,327,411	(835,247)
	Total actuarial loss on obligation		803,860	(1,415,291)
	Return on plan assets over interest income - (loss) / gain		519,685	519,810
	Total re-measurements recognised in OCI		1,323,545	(895,481)

		2020 Rupees	2019 Rupees
37.9	**Components of plan assets**		
	Cash and cash equivalents - net	5,530,192	266,061
	Term deposit receipts / Certificate of Investment	48,344,681	45,974,850
		53,874,873	46,240,911

37.9.1 There is no significant risk associated with the plan assets, as it consists of fixed interest rate bearing TDR's and saving accounts with financial institutions having satisfactory credit ratings.

37.10 Sensitivity analysis

Sensitivity analysis is performed by changing only one assumption at a time while keeping the other assumptions constant. Sensitivity analysis of key assumptions is given below.

	2020 Rupees	2019 Rupees
Discount rate +0.5%	60,625,624	51,238,759
Discount rate -0.5%	63,945,252	54,015,987
Long term salary increase +0.5%	64,117,988	54,159,682
Long term salary increase -0.5%	60,448,565	51,091,444

		2021 Rupees
37.11	**Expected contributions to be paid to the fund in the next financial year**	7,480,100
37.12	**Expected charge / (reversal) for next financial year**	
	Current service cost	6,702,160
	Net interest on defined benefit asset / liability	777,940
		7,480,100

		2020 Rupees	2019 Rupees
37.13	**Maturity profile**		
	Distribution of timing of benefit payments (years)		
	- 1	8,740,415	4,823,132
	- 2	28,788,348	26,455,147
	- 3	4,210,413	7,097,848
	- 4	6,945,561	4,165,318
	- 5	9,669,289	7,011,445
	- 6-10	23,360,240	28,736,178
	Weighted average duration of the PBO (years)	5.33	5.27

37.14 Funding Policy

An implicit, though not formally expressed objective is that the liabilities under the scheme in respect of members in service on the valuation date on a going concern basis and having regard to projected future salary increases, should be covered by the Fund on the valuation date, the total book reserve as of the valuation date, future contributions to the Fund, future additions to the book reserve and future projected investment income of the Fund.

37.15 Significant risk associated with the staff retirement benefit schemes

Asset volatility	The risk of the investment underperforming and not being sufficient to meet the liabilities.
Changes in bond yields	Not applicable as underling interest rate on bonds is fixed.
Inflation risk	The investment and bank balances may loose its value due to the increase of general inflation rate.
Life expectancy / Withdrawal rate	The risk that the actual mortality experience is different. The effect depends on the beneficiaries' service/age distribution and the benefit.
Withdrawal rate	The risk of higher or lower withdrawal experience than assumed. The final effect could go either way depending on the beneficiaries' service/age distribution and the benefit.

38. DEFINED CONTRIBUTION PLAN

The Company operates a recognized provident fund scheme for all its regular employees for which equal monthly contributions are made both by the Company and by the employees to the Fund at the rate of 10% of basic salary of the employee. Payments are made to the employees as specified in the rules of the Fund. As per latest available financial statements of the Fund, total assets of the Fund as at December 31, 2020 were Rs. 115,584,823 (2019: Rs. 99,195,589).

39. COMPENSATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL

39.1 Total Compensation Expense

	2020					
	Directors					
Items	Chairman	Executive (other than CEO)	Non Executive	GM / CEO	Key Management personnel	Other Material Risk Takers/ Controllers
	Rupees					
Fees and Allowances etc.	1,903,375	–	16,489,939	–	–	–
Managerial Remuneration						
i) Fixed	–	–	–	21,780,000	40,913,360	–
ii) Total Variable	–	–	–	–	–	–
of which						
a) Cash Bonus / Awards	–	–	–	6,000,000	5,500,000	–
b) Bonus & Awards in Shares	–	–	–	–	–	–
Charge for defined benefit plan	–	–	–	3,069,902	2,809,428	–
Contribution to defined contribution plan	–	–	–	2,178,000	2,352,839	–
Compensated absences	–	–	–	–	1,433,128	–
Leave fare assistance	–	–	–	1,815,000	2,659,640	–
Exgratia	–	–	–	1,815,000	1,958,635	–
Rent & house maintenance	–	–	–	7,560,000	14,074,011	–
Utilities	–	–	–	3,058,088	2,416,414	–
Medical	–	–	–	408,000	4,343,445	–
Conveyance	–	–	–	3,487,424	5,292,968	–
Others	–	–	–	1,200,000	1,200,000	–
Total	1,903,375	–	16,489,939	52,371,414	84,953,868	–
Number of Persons	1	0	5	1	16	0

In addition to above, the GM / CEO of the Company and certain other key management personnel are provided with company maintained vehicles in accordance with their terms of employment.

For the purposes of the foregoing, the term "Key Management Personnel" as per BPRD Circular No. 2 dated January 25, 2018 means the following functional responsibilities:

(a) Any executive or key executive, acting as second to GM, by whatever name called, and including the Chief Operating Officer (COO) and Deputy Managing Director.

(b) Any executive or key executive reporting directly to the GM / Chief Executive or the person mentioned in (a) above.

	2019					
	Directors					
Items	Chairman	Executive (other than CEO)	Non Executive	GM / CEO	Key Management personnel	Other Material Risk Takers/ Controllers
	Rupees					
Fees and Allowances etc.	3,763,112	–	18,042,876	–	–	–
Managerial Remuneration						
i) Fixed	–	–	–	19,800,000	36,242,565	–
ii) Total Variable	–	–	–	–	–	–
of which						
a) Cash Bonus / Awards	–	–	–	5,000,000	4,775,000	–
b) Bonus & Awards in Shares	–	–	–	–	–	–
Charge for defined benefit plan	–	–	–	3,736,003	2,173,417	–
Contribution to defined contribution plan	–	–	–	1,980,000	2,246,930	–
Compensated absences	–	–	–	–	1,119,425	–
Leave fare assistance	–	–	–	3,150,000	2,899,355	–
Exgratia	–	–	–	1,650,000	1,727,125	–
Rent & house maintenance	–	–	–	7,560,000	13,478,880	–
Utilities	–	–	–	2,853,675	2,246,480	–
Medical	–	–	–	591,755	4,337,350	–
Conveyance	–	–	–	3,513,572	5,750,172	–
Others	–	–	–	–	1,555,512	–
Total	3,763,112	–	18,042,876	49,835,005	78,552,211	–
Number of Persons	2	0	8	1	15	0

39.2 Remuneration paid to Directors for participation in Board and Committee Meetings

Sr. No.	Name of Directors	2020					
		Meeting Fees and Allowances Paid					
			For Board Committees				
		For Board meetings	Audit committee	Risk management committee	Human Resource committee	Selection & recruitment committee	Total amount paid
		Rupees					
1	Sultan Mohammed Hasan Abdulrauf	1,503,375	–	–	400,000	–	1,903,375
2	Majid Misfer J.Alghamdi	1,343,375	794,063	600,000	400,000	–	3,137,438
3	Ghanem Alghanem	800,000	400,000	600,000	–	–	1,800,000
4	Zafar Hasan	2,388,125	–	750,000	500,000	–	3,638,125
5	Qumar Sarwar Abbasi	2,388,125	944,063	750,000	–	–	4,082,188
6	Mohammad Tanvir Butt	2,388,125	944,063	–	500,000	–	3,832,188
	Total Amount Paid	10,811,125	3,082,189	2,700,000	1,800,000	–	18,393,314

In addition to the above, boarding/lodging expenses of the Directors' for attending meetings are borne by the company and are included in traveling expenses under other operating expenses.

Sr. No.	Name of Directors	2019					
		Meeting Fees and Allowances Paid					
			For Board Committees				
		For Board meetings	Audit committee	Risk management committee	Human Resource committee	Selection & recruitment committee	Total amount paid
		Rupees					
1	Mohammed W. Al-Harby	1,544,550	–	–	179,062	–	1,723,612
2	Mohammed Al-Jarbou	1,544,550	477,625	289,000	–	–	2,311,175
3	Musaad A. Al Fakhri	1,544,550	477,625	–	179,063	–	2,201,238
4	Sultan Mohammed Hasan Abdulrauf	1,649,375	–	–	390,125	–	2,039,500
5	Majid Misfer J.Alghamdi	1,649,375	394,312	195,375	390,125	–	2,629,187
6	Rayyan Bin Mohammed Nagadi	557,025	198,938	–	–	–	755,963
7	Shujat Ali	491,750	175,625	–	–	–	667,375
8	Zafar Hasan	2,264,750	–	376,000	569,188	–	3,209,938
9	Qumar Sarwar Abbasi	2,440,375	758,688	195,375	–	–	3,394,438
10	Mohammad Tanvir Butt	2,089,125	394,312	–	390,125	–	2,873,562
	Total Amount Paid	15,775,425	2,877,125	1,055,750	2,097,688	–	21,805,988

In addition to the above, boarding/lodging expenses of the Directors' for attending meetings are borne by the company and are included in traveling expenses under other operating expenses.

40. FAIR VALUE MEASUREMENTS

The fair value of traded investments is based on quoted market prices, except for securities classified by the Company as 'held to maturity'. Securities classified as held to maturity are carried at amortized cost. Fair value of unquoted equity investments, other than subsidiary and associates, is determined on the basis of break up value of these investments as per the latest available audited financial statements. Further, financial statements of several unquoted equity investments are not available whether due to liquidation or litigation, hence, breakup value of these investments can not be determined.

Fair value of unquoted debt securities, fixed term loans, other assets, other liabilities and fixed term deposits cannot be calculated with sufficient reliability due to the absence of current and active market for such assets and liabilities and reliable data regarding market rates for similar instruments. The provision for impairment of loans and advances has been calculated in accordance with the Company's accounting policy as stated in note 6.5

Fair value of remaining financial assets and liabilities except fixed term loans, staff loans, non-performing advances and fixed term deposits is not significantly different from the carrying amounts since assets and liabilities are either short term in nature or are frequently repriced in the case of customer loans and deposits.

40.1 Fair value of financial assets

The Company measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: Fair value measurements using quoted prices (unadjusted) in active markets (Pakistan Stock Exchange) for identical assets or liabilities.

Level 2: Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the assets or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) available at MUFAP, Reuters page, redemption prices determined by valuers on the panel of Pakistan Bank's Association .

Level 3: Fair value measurements using input for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

The table below analyses the financial and non-financial assets carried at fair values, by valuation methods. Valuation of investments is carried out as per guidelines specified by the SBP. In case of non-financial assets, the Company has adopted revaluation model (as per IAS 16) in respect of leasehold land, building and non-banking assets acquired in satisfaction of claims.

	2020			
	Level 1	Level 2	Level 3	Total
		Rupees		
On balance sheet financial instruments				
Financial assets - measured at fair value				
Investments				
Federal Government Securities	–	29,869,286,000	–	29,869,286,000
Shares	2,303,790,604	–	–	2,303,790,604
Open end Mutual Fund	–	–	–	–
Non-Government Debt Securities	–	1,131,163,833	–	1,131,163,833
Financial assets - disclosed but not measured at fair value				
Investments				
Non-Government Debt Securities	–	–	1,240,119,000	1,240,119,000
Unquoted Securities	–	–	512,500,008	512,500,008
Off-balance sheet financial instruments - measured at fair value	–	–	–	–

	2019			
	Level 1	Level 2	Level 3	Total
		Rupees		
On balance sheet financial instruments				
Financial assets - measured at fair value				
Investments				
Federal Government Securities	–	18,357,887,000	-	18,357,887,000
Shares	2,056,674,131	–	–	2,056,674,131
Open end Mutual Fund	–	50,924,375	-	50,924,375
Non-Government Debt Securities	–	1,185,714,449	-	1,185,714,449
Financial assets - disclosed but not measured at fair value				
Investments				
Non-Government Debt Securities	–	–	1,240,295,000	1,240,295,000
Unquoted Securities	–	–	512,500,008	512,500,008
Off-balance sheet financial instruments - measured at fair value	–	–	–	–

Valuation techniques used in determination of fair valuation of financial instruments within level 2 and level 3

Items	Valuation approach and input used
Federal Government securities	The fair values of Federal Government securities are determined on the basis of PKRV rates / prices sourced from Mutual Funds Association of Pakistan (MUFAP) and these securities are classified under level 2.
Debentures and corporate debt instruments	Market rates of these securities are not available on MUFAP as at December 31, 2020, therefore, these securities are classified level 3.
Unquoted Investment	There are no observable inputs in respect of fair market valuation of unquoted investment, hence these securities are valued at lower of cost or breakup value. These securities are classified under level 3.

40.2 The Company's policy is to recognise transfers into and out of the different fair value hierarchy levels at the date of the event or change in circumstances that caused such transfer. There were no transfers between levels 1 and 2 during the year.

40.3 Fair value of non-financial assets

40.4 The property and equipment of the Company were recently revalued by independent professional valuer as at December 31, 2018. The revaluation was carried out by M/s Impulse (Pvt) Limited on the basis of professional assessment of present market values.

The non-banking assets acquired from DJM AR Securities were last revalued by independent professional valuer in December 2019. The revaluation was carried out by M/s Surval on the basis of professional assessment of recent market values. The non banking assets acquired from Irfan Textile were last revalued by independent professional valuer in November 2018. The revaluation was carried out by M/s Amir Evaluators and consultants on the basis of professional assessment of recent market values.

	2020			
	Level 1	Level 2	Level 3	Total
		Rupees		
Non-financial assets				
Operating fixed assets				
Property and equipment (lease hold land, building & others)	–	–	2,870,223,977	2,870,223,977
Other assets				
Non banking assets acquired in satisfaction of claims	–	–	163,229,557	163,229,557

	2019			
	Level 1	Level 2	Level 3	Total
		Rupees		
Non-financial assets				
Operating fixed assets				
Property and equipment (lease hold land, building & others)	–	–	2,961,100,848	2,961,100,848
Other assets				
Non banking assets acquired in satisfaction of claims	–	–	166,816,572	166,816,572

Valuation techniques used in determination of fair valuation of financial instruments within level 2 and level 3

Items	Valuation approach and input used
Operating fixed assets and non-banking assets acquired in satisfaction of claims	Land, buildings and other fixed assets and non-banking assets acquired in satisfaction of claims are revalued on a periodic basis using professional valuers. The valuation is based on their assessment of the market value of the assets. The effect of changes in the unobservable inputs used in the valuations cannot be determined with certainty, accordingly a qualitative disclosure of sensitivity has not been presented in these unconsolidated financial statements.

41. SEGMENT INFORMATION

41.1 Segment Details with respect to Business Activities

	2020			
	Corporate finance	Trading and sales	Building rental services	Total
	Rupees			
Profit & Loss				
Net mark-up/return/profit	285,717,171	706,525,378	–	992,242,549
Non mark-up / return / interest income	551,724	390,859,289	220,107,568	611,518,581
Total Income	286,268,895	1,097,384,667	220,107,568	1,603,761,130
Segment direct expenses	94,069,944	360,608,213	–	454,678,157
Total expenses	94,069,944	360,608,213	–	454,678,157
Provisions	318,320,074	21,964,243	–	340,284,317
Profit before tax	(126,121,123)	714,812,211	220,107,568	808,798,656
Balance Sheet				
Cash & Bank balances	–	665,001,033	–	665,001,033
Investments	1,240,119,000	34,316,740,445	–	35,556,859,445
Lendings to financial institutions	–	119,988,000	–	119,988,000
Advances - performing	5,450,132,635	–	–	5,450,132,635
- non-performing net of provision	1,360,857,792	–	–	1,360,857,792
Others	428,988,192	1,939,861,131	2,713,996,553	5,082,845,876
Total Assets	8,480,097,619	37,041,590,609	2,713,996,553	48,235,684,781
Borrowings	7,410,154,237	24,909,525,197	–	32,319,679,434
Deposits & other accounts	560,765,315	1,885,034,685	–	2,445,800,000
Others	(486,366,654)	125,554,746	918,878,204	558,066,296
Total liabilities	7,484,552,898	26,920,114,628	918,878,204	35,323,545,730
Equity	–	–	–	12,912,139,051
Total Equity & liabilities	7,484,552,898	26,920,114,628	918,878,204	48,235,684,781
Contingencies & Commitments	2,590,507,027	835,791	2,175,189	2,593,518,007

	2019			
	Corporate finance	Trading and sales	Building rental services	Total
	Rupees			
Profit & Loss				
Net mark-up/return/profit	382,937,491	380,346,746	–	763,284,237
Non mark-up / return / interest income	14,699,794	219,296,229	192,084,280	426,080,303
Total Income	397,637,285	599,642,975	192,084,280	1,189,364,540
Segment direct expenses	181,808,107	274,169,344	–	455,977,451
Total expenses	181,808,107	274,169,344	–	455,977,451
Provisions / (Reversals)	93,205,995	235,280,677	–	328,486,672
Profit before tax	122,623,183	90,192,954	192,084,280	404,900,417
Balance Sheet				
Cash & Bank balances	–	162,445,383	–	162,445,383
Investments	1,240,295,000	22,663,699,963	–	23,903,994,963
Lendings to financial institutions	–	80,000,000	–	80,000,000
Advances - performing	6,040,351,497	–	–	6,040,351,497
- non-performing	1,828,853,042	–	–	1,828,853,042
Others	613,722,664	1,647,364,520	2,807,851,349	5,068,938,533
Total Assets	9,723,222,203	24,553,509,866	2,807,851,349	37,084,583,418
Borrowings	7,341,209,900	15,417,809,494	–	22,759,019,394
Deposits & other accounts	164,506,958	345,493,042	–	510,000,000
Others	(353,569,728)	213,938,878	951,819,549	812,188,699
Total liabilities	7,152,147,130	15,977,241,414	951,819,549	24,081,208,093
Equity	–	–	–	13,003,375,325
Total Equity & liabilities	7,152,147,130	15,977,241,414	951,819,549	37,084,583,418
Contingencies & Commitments	2,462,785,980	2,842,579	5,410,268	2,471,038,827

41.2 Segment details with respect to geographical locations

GEOGRAPHICAL SEGMENT ANALYSIS

	2020		
	In Pakistan	Outside Pakistan	Total
		Rupees	
Profit & Loss			
Net mark-up/return/profit	992,242,549	–	992,242,549
Inter segment revenue - net	–	–	–
Non mark-up / return / interest income	611,518,581	–	611,518,581
Total Income	1,603,761,130	–	1,603,761,130
Segment direct expenses	454,678,157	–	454,678,157
Inter segment expense allocation	–	–	–
Total expenses	454,678,157	–	454,678,157
Provisions	340,284,317	–	340,284,317
Profit before tax	808,798,656	–	808,798,656
Balance Sheet			
Cash & Bank balances	665,001,033	–	665,001,033
Investments	35,556,859,445	–	35,556,859,445
Net inter segment lendings	–	–	–
Lendings to financial institutions	119,988,000	–	119,988,000
Advances - performing	5,450,132,635	–	5,450,132,635
- non-performing net of provision	1,360,857,792	–	1,360,857,792
Others	5,082,845,876	–	5,082,845,876
Total Assets	48,235,684,781	–	48,235,684,781
Borrowings	32,319,679,434	–	32,319,679,434
Deposits & other accounts	2,445,800,000	–	2,445,800,000
Net inter segment borrowing	–	–	–
Others	558,066,296	–	558,066,296
Total liabilities	35,323,545,730	–	35,323,545,730
Equity	12,912,139,051	–	12,912,139,051
Total Equity & liabilities	48,235,684,781	–	48,235,684,781
Contingencies & Commitments	2,593,518,007	–	2,593,518,007

	2019		
	In Pakistan	Outside Pakistan	Total
		Rupees	
Profit & Loss			
Net mark-up/return/profit	763,284,237	–	763,284,237
Inter segment revenue - net	–	–	–
Non mark-up / return / interest income	426,080,303	–	426,080,303
Total Income	1,189,364,540	–	1,189,364,540
Segment direct expenses	455,977,451	–	455,977,451
Inter segment expense allocation	–	–	–
Total expenses	455,977,451	–	455,977,451
Provisions	328,486,672	–	328,486,672
Profit before tax	404,900,417	–	404,900,417
Balance Sheet			
Cash & Bank balances	162,445,383	–	162,445,383
Investments	23,903,994,963	–	23,903,994,963
Net inter segment lendings	–	–	–
Lendings to financial institutions	80,000,000	–	80,000,000
Advances - performing	6,040,351,497	–	6,040,351,497
- non-performing net of provision	1,828,853,042	–	1,828,853,042
Others	5,068,938,533	–	5,068,938,533
Total Assets	37,084,583,418	–	37,084,583,418
Borrowings	22,759,019,394	–	22,759,019,394
Deposits & other accounts	510,000,000	–	510,000,000
Net inter segment borrowing	–	–	–
Others	812,188,699	–	812,188,699
Total liabilities	24,081,208,093	–	24,081,208,093
Equity	13,003,375,325	–	13,003,375,325
Total Equity & liabilities	37,084,583,418	–	37,084,583,418
Contingencies & Commitments	2,471,038,827	–	2,471,038,827

42 RELATED PARTY TRANSACTIONS

The Government of Kingdom of Saudi Arabia and the Islamic Republic of Pakistan each own 50% shares of the Company. Therefore, all entities owned by and controlled by these Governments are related parties of the Company. Other related parties comprise of entities over which the Company has control (subsidiaries), entities over which the directors are able to exercise significant influence (associated undertakings), entities with common directors, major shareholders, directors, key management personnel and employees' funds. The Company in normal course of business pays for electricity, gas and telephone to entities controlled by Government of Pakistan. The Company has not extended any financing facilities to entities owned by the Governments of Kingdom of Saudi Arabia and the Islamic Republic of Pakistan.

Transactions which are made under the terms of employment with related parties mainly comprise of loans and advances, deposits etc.

Advances for the house building, conveyance and personal use have also been provided to staff and executives in accordance with the employment and pay policy. Facility of group life insurance and hospitalization facility is also provided to staff and executives. In addition to this, majority of executives of the Company have been provided with Company maintained car.

Details of transactions with related parties during the year, other than those which have been disclosed elsewhere in these financial statements are as follows:

	2020				
	Directors	Key management personnel	Subsidiaries	Associates	Other related parties
			Rupees		
Non-current asset classified as held for sale					
Opening balance	–	–	–	–	–
Addition during the year	–	–	–	–	–
Repaid during the year	–	–	–	–	–
Transfer in / (out) - net	–	–	–	576,676,075	–
Closing balance	–	–	–	576,676,075	–
Provision for Non-current asset classified as held for sale	–	–	–	576,676,075	–
Investments					
Opening balance	–	–	500,000,000	576,676,075	–
Investment made during the year	–	–	–	–	–
Investment redeemed / disposed off during the year	–	–	–	–	–
Transfer in / (out) - net	–	–	–	(576,676,075)	–
Closing balance	–	–	500,000,000	–	–
Provision for diminution in value of investments	–	–	–	–	–
Advances					
Opening balance	–	21,788,773	–	–	–
Addition during the year	–	13,225,034	–	–	–
Repaid during the year	–	(12,698,983)	–	–	–
Transfer in / (out) - net	–	–	–	–	–
Closing balance	–	22,314,824	–	–	–
Provision held against advances	–	–	–	–	–
Other assets - security deposit	–	–	2,462,370	–	–
Provision against other assets	–	–	–	–	–
Deposits and other accounts					
Opening balance	–	–	–	–	10,000,000
Received during the year	–	–	–	–	20,000,000
Withdrawn during the year	–	–	–	–	(20,000,000)
Transfer in / (out) - net	–	–	–	–	–
Closing balance	–	–	–	–	10,000,000
Other Liabilities					
Interest / mark-up payable	–	–	–	–	210,000
Payable to defined benefit plan	–	–	–	–	8,358,804
Security deposit	–	–	401,960	–	–
Rent received in advance	–	–	905,555	–	–
Income					
Mark-up / return / interest earned	–	764,927	–	–	–
Rental income	–	–	5,800,437	–	–
Expense					
Mark-up / return / interest expensed	–	–	–	–	1,133,499
Contribution to employees' funds	–	–	–	–	9,067,124
Directors' fees and allowances	18,393,314	–	–	–	–
Shareholders' fee	–	–	–	–	4,647,610
Operating expenses	–	137,325,282	–	347,793	–

	2019				
	Directors	Key management personnel	Subsidiaries	Associates	Other related parties
			Rupees		
Non-current asset classified as held for sale					
Opening balance	–	–	–	–	–
Addition during the year	–	–	–	–	–
Repaid during the year	–	–	–	–	–
Transfer in / (out) - net	–	–	–	–	–
Closing balance	–	–	–	–	–
Provision for Non-current asset classified as held for sale	–	–	–	–	–
Investments					
Opening balance	–	–	500,000,000	576,676,075	–
Investment made during the year	–	–	–	–	–
Investment redeemed / disposed off during the year	–	–	–	–	–
Transfer in / (out) - net	–	–	–	–	–
Closing balance	–	–	500,000,000	576,676,075	–
Provision for diminution in value of investments	–	–	–	576,676,075	–
Advances					
Opening balance	–	26,296,411	–	–	–
Addition during the year	–	2,165,000	–	–	–
Repaid during the year	–	(6,672,638)	–	–	–
Transfer in / (out) - net	–	–	–	–	–
Closing balance	–	21,788,773	–	–	–
Provision held against advances	–	–	–	–	–
Other assets - security deposit	–	–	2,278,800	–	–
Provision against other assets	–	–	–	–	–
Deposits and other accounts					
Opening balance	–	–	–	–	7,500,000
Received during the year	–	–	–	–	25,000,000
Withdrawn during the year	–	–	–	–	(22,500,000)
Transfer in / (out) - net	–	–	–	–	–
Closing balance	–	–	–	–	10,000,000
Other Liabilities					
Interest / mark-up payable	–	–	–	–	400,726
Payable to defined benefit plan	–	–	–	–	6,343,905
Security deposit	–	–	401,960	–	–
Rent received in advance	–	–	1,161,278	–	–
Income					
Mark-up / return / interest earned	–	1,003,426	–	–	–
Rental income	–	–	5,380,836	–	–
Expense					
Mark-up / return / interest expensed	–	–	–	–	1,011,781
Contribution to employees' funds	–	–	–	–	8,244,281
Directors' fees and allowances	21,805,988	–	–	–	–
Shareholders' fee	–	–	–	–	5,267,290
Operating expenses	–	128,387,216	12,533,400	329,512	–

		2020 Rs '000'	2019 Rs '000'
43.	**CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS**		
	Minimum Capital Requirement (MCR):		
	Paid-up capital (net of losses)	6,600,000	6,600,000
	Capital Adequacy Ratio (CAR):		
	Eligible Common Equity Tier 1 (CET 1) Capital	10,917,992	10,372,802
	Eligible Additional Tier 1 (ADT 1) Capital	–	–
	Total Eligible Tier 1 Capital	10,917,992	10,372,802
	Eligible Tier 2 Capital	1,130,999	1,925,620
	Total Eligible Capital (Tier 1 + Tier 2)	12,048,991	12,298,422
	Risk Weighted Assets (RWAs):		
	Credit Risk	20,099,834	20,905,239
	Market Risk	8,777,126	4,353,038
	Operational Risk	2,558,919	2,374,050
	Total	31,435,879	27,632,327
	Common Equity Tier 1 Capital Adequacy ratio	34.73%	37.54%
	Tier 1 Capital Adequacy Ratio	34.73%	37.54%
	Total Capital Adequacy Ratio	38.33%	44.51%

As of December 2020, the Company is required to meet a Tier 1 to RWA ratio and CAR, including CCB, of 7.5% and 11.5% respectively.

Standardized Approach is used for calculating the Capital Adequacy for Market and Credit Risk while Basic Indicator Approach (BIA) is used for Operational Risk.

	2020 Rs '000'	2019 Rs '000'
Leverage Ratio (LR):		
Eligible Tier-1 Capital	10,917,992	10,372,802
Total Exposures	50,257,207	39,555,622
Leverage Ratio	21.72%	26.22%
Liquidity Coverage Ratio (LCR):		
Total High Quality Liquid Assets	5,553,281	4,411,147
Total Net Cash Outflow	2,234,569	1,688,471
Liquidity Coverage Ratio	248.52%	261.25%
Net Stable Funding Ratio (NSFR):		
Total Available Stable Funding	31,845,109	26,727,578
Total Required Stable Funding	17,316,679	17,359,770
Net Stable Funding Ratio	183.90%	153.96%

43.1 The link to the full disclosures for capital adequacy, leverage and liquidity ratios will be available at https://www.saudipak.com/financial/

44. RISK MANAGEMENT

Saudi Pak Industrial & Agricultural Investment Co. Ltd. (the Company) defines risk as the possibility that an action or event could have adverse outcomes, which could either result in a direct loss of earnings / capital, or the imposition of constraints on the ability to meet objectives. In the normal course of business, the Company is exposed to various risks, including, but not limited to, credit, market, liquidity, and operational risks. The Company recognizes that management of these risks is essential for maintaining financial viability and achieving objectives. In this regard, the Company's approach to risk management is to ensure the ongoing alignment of its risk levels with its risk appetite through a coordinated set of activities that direct and control the Company with regard to risk.

The Company's overall appetite for risk is governed by its Board of Directors (Board) approved "Risk Management Policy", which delineates key definitions, roles and responsibilities, risk appetite / risk limits, and principles for managing risk across the Company. The Company's Risk Management Framework, comprising of the Risk Management Policy, other Board-approved policies, procedural manuals, sound management information system (MIS) and reporting, and clearly articulated roles, responsibilities and accountabilities, is fundamental to the Company's overall risk management culture and awareness.

The Company recognizes that responsibility for risk management resides at all levels, since the risk management processes rely on individual responsibility and independent oversight. The Board, duly supported by its Risk Management Committee, is accountable for ensuring that adequate and sound structures and policies are in place for risk management. The Management's role is to transform strategic decisions and risk appetite set by the Board into effective processes and systems, and to institute an appropriate hierarchy to execute and implement the approved policies and procedures. In this regard, the Company has implemented a three-line-of-defense approach, wherein as a first line of defense, risk management activities are performed in the business units and functional support units, with the Divisional Heads being accountable for managing risk in their area of operations in accordance with the Risk Management Framework, as well as for the results (both positive and negative) of taking these risks.

To assist in discharge of these responsibilities and accountabilities, various cross-functional committees have been constituted at the Senior Management level, and delegation of authority in financial / operational powers for the Divisions / Regional Offices has been clearly defined. The Risk Management Division (RMD) and Compliance Division (CD) serve as second-line of defense by providing independent oversight of the Company's risk-taking activities and regulatory compliance respectively. The RMD's responsibilities include the design of a clear, transparent and well-aligned Risk Management Policy, independent pre-approval risk reviews of proposals and policies, and ongoing assessment, monitoring and reporting of risks at the portfolio and enterprise level through a broad spectrum of techniques.

The second-line-of-defense is further strengthened through the presence of cross-functional committees such as Credit Risk Management Committee, Operational Risk Management Committee and Compliance Committee. The Internal Audit Division functions as the third-line-of-defense, with direct reporting to the Audit Committee of the Board and independently carrying out internal audits in line with its approved roles and responsibilities.

On an enterprise level, risk monitoring results for the year revealed that the Company's Capital Adequacy Ratio (CAR) remained well above both the internal as well as the regulatory requirements throughout the year, and that the capital and liquidity position remained resilient even under stress.

44.1 Credit Risk

Credit risk is the risk of loss to the Company's earnings or capital arising from the potential that an obligor is either unwilling to perform on an obligation or its ability to perform on such obligation is impaired. Credit risk arises primarily from the Company's advances / debt investments portfolio and lending to financial institutions (FIs) portfolio. Credit risk may also arise at the portfolio level in case of inadequate diversification of the advances portfolio, in terms of industrial sectors, regions, products, or clients.

Pursuit of credit risk is essential to fulfilling the corporate objectives of the Company, and is a primary source of income, conversely, also constituting one of the greatest risk of losses. In this regard, focus is primarily on bankable transactions, offering adequate risk & reward relationship with satisfactory security support. The Company's credit risk management process encompasses identification, assessment, monitoring and control of credit risk exposures. As part of this process, obligor risk and facility risk are carefully evaluated using internal risk rating methodologies, as articulated in the Company's Internal Credit Risk Rating Policy.

Advances exposures are invariably secured by credit risk mitigants in the form of various types of collateral / security with adequate margins. Readily marketable / liquid securities / urban properties are preferred over other forms of collateral. Credit risk stress testing is regularly carried out to identify vulnerable areas for initiating corrective action, if necessary. Regular assessment, monitoring and reporting of the performing & non-performing credit risk portfolio in terms of trends & concentrations, is made by the Risk Management Division (RMD) to the Credit Risk Management Committee and Risk Management Committee of the Board. Board-approved Credit Policy, Credit Risk Policy, Credit Administration Policy, and Special Asset Management Policy are in place, clearly establishing relevant roles and responsibilities, selection criteria, principles and limits for credit risk.

Specific norms for appraisal, sanctioning, documentation, inspections and monitoring, maintenance, rehabilitation and management of assets have been stipulated. Internal controls and processes in place for credit risk management also include:

- Well-defined credit approval and disbursement mechanism, with deliberation at cross-functional Credit & Investment Committee, and review by independent functions, including RMD, CD, and Law Division (LD);
- Post-disbursement credit administration, monitoring and review, including review of credit ratings;
- Board-approved borrower / group limits well within those prescribed in terms of Prudential Regulations, along with other limits on portfolio concentration, e.g. sectoral limits;
- Board-approved counterparty limits for lendings to FIs in place and regularly reviewed;
- Clear lines of authority for Treasury transactions, and independent Back Office / Settlement Division in place to process deals;
- Independent Middle Office in place at RMD to monitor lending to FIs limit compliance;
- Credit Risk Management Committee-approved insurer-wise limits in place and reviewed annually ;
- Policies & procedures circulated amongst concerned functionaries through the Company's intranet; and
- Various training initiatives to enhance credit risk knowledge for concerned personnel.

Dedicated Special Asset Management Division (SAMD) and Law Division (LD) are in place to manage past due and impaired assets through litigation, workout or other remedial measures, as appropriate. The Company adheres to the SBP instructions for definitions of past due and impaired assets in the Corporate / Commercial, SME-Medium Enterprise, and SME-Small Enterprise categories respectively.

In addition, the Company may consider subjective criteria in determining account classification. The Company determines provisioning requirements for non-performing advances in accordance with the requirements of the Prudential Regulations issued by SBP. Write-offs are made when there is no realistic prospect of recovery.

The Company employs the Basel Standardized Approach to determine capital requirements for credit risk. As per SBP Guidelines, the Company recognizes VIS and PACRA as approved rating agencies, and applies their ratings where available to determine appropriate risk weight by using mapping criteria prescribed by SBP. In absence of external ratings, the exposures are treated as unrated and relevant risk weights are applied. The Company follows Simple Approach for credit risk mitigation in its Basel capital calculation. Under Simple Approach, the risk weight of the mitigant is substituted for the risk weight of the counterparty to the extent coverage is provided by the mitigant, provided the former risk weight is lower than the latter.

The Company is presently not involved in securitization activities.

The Company's maximum credit risk exposure as at December 31, 2020 amounted to:

	2020 without benfit of collateral Rupees	2020 with benfit of collateral Rupees
Lending to financial institutions	–	119,988,000
Debt investments		
(excluding Government of Pakistan local currency denominated debt)	–	2,371,282,833
Advances	–	6,810,990,427
	–	9,302,261,260

Particulars of Company's significant on-balance sheet and off-balance sheet credit risk in various sectors are analysed as follows:

44.1.1 Lendings to financial institutions
Credit risk by public / private sector

	Gross lendings		Non-performing lendings		Provision held	
	2020	2019	2020	2019	2020	2019
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Public / Government	–	–	–	–	–	–
Private	119,988,000	80,000,000	–	–	–	–
	119,988,000	80,000,000	–	–	–	–

44.1.2 Investment in debt securities
Credit risk by industry sector

	Gross investments		Non-performing investments		Provision held	
	2020	2019	2020	2019	2020	2019
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Textile	204,114,140	204,114,140	204,114,140	204,114,140	153,489,140	153,489,140
Chemical and Pharmaceuticals	286,283,751	286,283,751	286,283,751	286,283,751	286,283,751	286,283,751
Power (electricity), Gas, Water, Sanitary	1,000,000,000	1,000,000,000	–	–	–	–
Transport, Storage and Communication	73,981,676	41,197,664	41,197,664	41,197,664	41,197,664	41,197,664
Financial	1,282,627,921	1,282,803,921	3,748,500	3,748,500	3,748,500	3,748,500
Others	–	92,729,028	–	–	–	–
	2,847,007,488	2,907,128,504	535,344,055	535,344,055	484,719,055	484,719,055
Credit risk by public / private sector						
Public / Government	–	–	–	–	–	–
Private	2,847,007,488	2,907,128,504	535,344,055	535,344,055	484,719,055	484,719,055
	2,847,007,488	2,907,128,504	535,344,055	535,344,055	484,719,055	484,719,055

44.1.3 Advances

Credit risk by industry sector

	2020	2019	2020	2019	2020	2019
	Gross advances		Non-performing advances		Provision held	
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Textile	2,611,665,253	2,559,732,576	1,217,804,046	1,386,404,576	1,063,068,578	1,061,240,512
Chemical and Pharmaceuticals	14,972,941	14,972,941	14,972,941	14,972,941	14,972,941	14,972,941
Cement	154,163,521	156,781,217	116,206,923	116,206,923	116,206,923	116,206,923
Sugar	843,114,473	843,114,473	243,114,473	243,114,473	243,114,473	187,231,049
Automobile and transportation equipment	162,999,822	196,999,822	153,000,000	153,000,000	153,000,000	153,000,000
Electronics and electrical appliances	368,166,667	1,048,375,000	–	–	–	–
Construction	200,044,160	205,752,708	200,044,160	205,752,708	200,044,160	205,752,708
Power (electricity), Gas, Water, Sanitary	1,355,596,934	1,396,660,042	165,028,752	165,028,752	165,028,752	165,028,752
Transport, Storage and Communication	12,461,152	12,461,152	12,461,152	12,461,152	12,461,152	12,461,152
Financial	189,406,858	191,304,214	89,406,858	89,406,858	89,406,858	89,406,858
Services	217,030,294	217,030,294	32,030,294	32,030,294	32,030,294	32,030,294
Paper board and products	33,736,423	77,486,423	33,736,423	33,736,423	33,736,423	33,736,423
Rubber and plastic products	270,000,000	270,000,000	–	–	–	–
Basic metals	217,711,493	226,331,699	69,093,230	69,093,230	69,093,230	26,843,230
Dairy & Poultry	1,405,555,554	1,405,555,554	1,405,555,554	1,405,555,554	199,433,230	–
Others	1,288,211,896	1,286,807,266	142,250,000	142,250,000	142,250,000	142,250,000
	9,344,837,441	10,109,365,381	3,894,704,806	4,069,013,884	2,533,847,014	2,240,160,842

Credit risk by public / private sector

	2020	2019	2020	2019	2020	2019
	Gross advances		Non-performing advances		Provision held	
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Public/ Government	–	–	–	–	–	–
Private	9,344,837,441	10,109,365,381	3,894,704,806	4,069,013,884	2,533,847,014	2,240,160,842
	9,344,837,441	10,109,365,381	3,894,704,806	4,069,013,884	2,533,847,014	2,240,160,842

	2020 Rupees	2019 Rupees
44.1.4 Contingencies and Commitments		
Commitments: credit risk by industry sector		
Textile	1,002,224,393	676,670,000
Chemical and Pharmaceuticals	350,000,000	350,000,000
Electronics and electrical appliances	386,000,000	386,000,000
Construction	–	200,000,000
Power (electricity), Gas, Water, Sanitary	500,000,000	650,000,000
Financial	150,000,000	–
Basic metals	200,000,000	200,000,000
Others	5,293,614	8,368,827
	2,593,518,007	2,471,038,827
Credit risk by public / private sector		
Public/ Government	–	–
Private	2,593,518,007	2,471,038,827
	2,593,518,007	2,471,038,827

44.1.5 Concentration of Advances

Top 10 exposures of the Company on the basis of total (funded and non-funded exposures) aggregated to Rs. 5,695 million (2019: Rs. 5,514 million) as follows:

	2020 Rupees	2019 Rupees
Funded	5,192,558,992	5,336,861,385
Non Funded	502,224,393	176,670,000
Total Exposure	5,694,783,385	5,513,531,385

	2020		2019	
	Amount	Provision held	Amount	Provision held
	Rupees		Rupees	
Total funded classified therein				
Substandard	–	–	–	–
Doubtful	–	–	750,000,000	–
Loss	2,125,465,203	919,342,879	1,375,465,203	632,731,075
Total	2,125,465,203	919,342,879	2,125,465,203	632,731,075

44.1.6 Advances - Province/Region-wise Disbursement & Utilization

	2020						
	Disbursements	Utilization					
		Punjab	Sindh	KPK including FATA	Balochistan	Islamabad	AJK including Gilait-Baltistan
Province/Region							
Punjab	–	–	–	–	–	–	–
Sindh	–	–	–	–	–	–	–
KPK including FATA	–	–	–	–	–	–	–
Baluchistan	–	–	–	–	–	–	–
Islamabad	449,447,607	349,447,607	100,000,000	–	–	–	–
AJK including Gilgit-Baltistan	–	–	–	–	–	–	–
Total	449,447,607	349,447,607	100,000,000	–	–	–	–

	2019						
	Disbursements	Utilization					
		Punjab	Sindh	KPK including FATA	Balochistan	Islamabad	AJK including Gilait-Baltistan
Province/Region							
Punjab	–	–	–	–	–	–	–
Sindh	–	–	–	–	–	–	–
KPK including FATA	–	–	–	–	–	–	–
Baluchistan	–	–	–	–	–	–	–
Islamabad	3,018,086,430	2,385,086,430	633,000,000	–	–	–	–
AJK including Gilgit-Baltistan	–	–	–	–	–	–	–
Total	3,018,086,430	2,385,086,430	633,000,000	–	–	–	–

44.2 Market Risk

Market risk is the risk of loss to the Company's earnings or capital arising from potential movements in market risk factors, such as interest rates, equity prices and foreign exchange rates. The Company is exposed to market risk from its banking book as well as trading book exposures, the latter of which includes HFT & AFS investments in debt & listed equity instruments, and open position in foreign currency.

The market risk strategy of the Company is to maximize returns while keeping exposure to market risk at or below the approved levels, provided in the shape of market risk limits. Board-approved Treasury Policy, PMD Investment Policy and Market Risk Policy are in place with defined market risk management parameters / limits to control market risk levels. The Treasury Division (TD) and Portfolio Management Division (PMD) consider economic and market conditions, along with the Company's portfolio mix, diversification and expertise when setting and executing annual business strategy and reviewing policy.

Assets / Liability Management Committee (ALCO) meets monthly, and evaluates liquidity, market and interest rate risk as part of its approved Terms of Reference. An independent Market & Liquidity Risk /Middle Office Unit housed in RMD is tasked to, inter alia, independently monitor, measure and analyze market risk of the Company on daily basis, perform risk review of day-to-day PMD & TD activities, escalate any limit breaches or exceptions on the same working day of identification, review the Company's interest rate risk management framework & methodology, and prepare risk reports for ALCO and RMCB, including review of risk-adjusted performance of the investment portfolio.

The Company uses a comprehensive suite of risk measurement techniques to assess market risk in the trading book, which includes monitoring levels and trends in mark-to-market, price value of basis point (PVBP), beta, and Value-at-Risk (VaR) metrics, as well as stress tests and sensitivity analyses based on these measures. VaR is calculated for all trading book positions and portfolios on a daily basis, and measures the estimated maximum loss over a defined horizon based on historical simulation.

The Company calculates its VaR with a 1-day and 10-day horizon period using a one-tail, 99% confidence interval in accordance with Basel specifications. The 1-day VaR is further back tested on daily basis against next day's P&L based on actual observed movements in market risk factors. Back testing results suggest that the model is currently providing an appropriate estimate of the risk. For interest rate risk in the banking book, the Company primarily relies on gap analysis & static simulation model. Stress tests are carried out for traded & non-traded market risks on the basis of extreme, yet plausible, stress scenarios. Results produced by the aforementioned models are included in management and Board-committee reporting.

44.2.1 Balance sheet split by trading and banking books

	2020			2019		
	Banking book	Trading book	Total	Banking book	Trading book	Total
	Rupees			Rupees		
Cash and balances with treasury banks	107,773,417	–	107,773,417	36,408,879	–	36,408,879
Balances with other banks	557,227,616	–	557,227,616	126,036,504	–	126,036,504
Lendings to financial institutions	119,988,000	–	119,988,000	80,000,000	–	80,000,000
Investments	3,383,782,841	32,173,076,604	35,556,859,445	3,438,509,457	20,465,485,506	23,903,994,963
Advances	6,810,990,427	–	6,810,990,427	7,869,204,539	–	7,869,204,539
Fixed assets	2,956,247,925	–	2,956,247,925	3,054,741,640	–	3,054,741,640
Intangible assets	7,229,440	–	7,229,440	8,488,075	–	8,488,075
Deferred tax assets	–	–	–	–	–	–
Other assets	2,119,368,511	–	2,119,368,511	2,005,708,818	–	2,005,708,818
	16,062,608,177	32,173,076,604	48,235,684,781	16,619,097,912	20,465,485,506	37,084,583,418

44.2.2 Foreign Exchange Risk

The Company does not actively deal in foreign currency. Its aggregate foreign currency exposure is limited to USD-denominated bank balance, as represented in the table below. As such, the Company's direct exposure to foreign currency risk is minimal, with a favourable impact in case of PKR depreciation.

The foreign exchange exposures during the year of the Company is given as follows:

	2020				2019			
	Foreign currency Assets	Foreign currency Liabilities	Off-balance sheet items	Net foreign currency exposure	Foreign currency Assets	Foreign currency Liabilities	Off-balance sheet items	Net foreign currency exposure
	Rupees				Rupees			
United States Dollar	21,062,689	–	–	21,062,689	20,315,522	–	–	20,315,522

	2020		2019	
	Banking book	Trading book	Banking book	Trading book
	Rupees		Rupees	
Impact of 1% change in foreign exchange rates on				
- Profit and loss account	210,627	–	203,155	–
- Other comprehensive income	–	–	–	–

44.2.3 Equity position Risk

The Company's objective regarding trading in equities is to maximize the return on equity investment by acquiring fundamentally strong shares at appropriate levels and maintaining such a balance between short term and long term investment that can provide maximum possible opportunities to avail both capital gains and dividend income. The Company's maximum exposure to the stock market is constrained in terms of the single-stock and aggregate limits prescribed under the SBP Prudential Regulations. Prime responsibility for managing the Company's equity positions rests with the Portfolio Management Division (PMD). The Board of Directors has approved sectoral limits, as well as portfolio limits that fall within the SBP-prescribed aggregate limit for DFIs. Senior Management's Quoted Securities Monitoring Committee reviews investment climate and stock market investment strategy & portfolio, and reviews & approves listed stock investment / divestment recommendations by PMD, and stop loss decision where required. Unquoted Investments Monitoring Committee is also in place to monitor and manage investments in unquoted companies. The Market & Liquidity Risk /Middle Office Unit housed in RMD independently monitors PMD deals, policy / limit compliance, broker usage, realized/unrealized gain/loss, and generates market risk metrics such as beta, Value-at-Risk, sensitivity analyses and stress tests. The Unit is responsible for escalation of any limit breaches to concerned authorities, and also provides monthly summary reports to ALCO and periodic risk/return performance reports to the Risk Management Committee of the Board. PMD performance is also regularly reviewed by ALCO through regular reporting by the former, with the latter also serving as approving authority for the broker panel.

	2020		2019	
	Banking book	Trading book	Banking book	Trading book
	Rupees		Rupees	
Impact of 5% change in equity prices on				
- Profit and loss account	–	2,753,725	–	–
- Other comprehensive income	–	112,435,805	–	102,833,707

44.2.4 Yield / Interest Rate Risk in the Banking Book (IRRBB)-Basel II Specific

The Company's interest rate risk arises from its trading book and banking book. Interest rate risk in the trading book is a result of HFT & AFS investments in debt instruments that are reported at fair value, and whose value is influenced by prevailing interest rates. The Company's interest rate risk exposures in the banking book originate from financial assets & liabilities that are exposed to different points in the yield curve, and are not matched in terms of repricing / maturity dates or interest rate basis. Since the Company does not take non-maturity deposits and bulk of its loans are floating-rate in nature, optionality/prepayment-related interest rate risk is insignificant.

The primary objective of interest rate risk management is to control exposure to interest rate risk, within approved limits. The Company has Board-approved Treasury Policy and Interest Rate Risk Management Framework in place that govern the interest rate risk management process. The Treasury Division directly functions to manage interest rate risks through diversification of exposures and structuring matching asset/liability transactions. The ALCO provides oversight of interest rate risk, including articulating interest rate view, deciding on future business strategy, monitoring interest rate risk and deliberating on mitigation measures. To control interest rate risk in the trading book, duration limits are in place for the fixed income investment portfolio, in terms of the Treasury Policy. To control interest rate risk in the banking book, target levels have been established on the repricing/ maturity gaps in each time band, as determined through slotting of interest-rate sensitive assets and liabilities according to contractual repricing / maturity dates, whichever is earlier. The Market & Liquidity Risk / Middle Office Unit monitors limit compliance, reviews the interest rate risk management framework, develops interest rate risk measurement methodology, and provides monthly & quarterly reports to ALCO. Interest rate risk measurement methodology currently employed by the Company for the trading book includes marking-to-market, price value of basis point (PVBP), sensitivity analyses / stress testing and Value-at-Risk. For the banking book, methodology is based on gap analysis and static simulation, with an earnings and economic value perspective, as well as stress testing.

	2020		2019	
	Banking book	Trading book	Banking book	Trading book
	Rupees		Rupees	
Impact of 1% change in interest rates on				
- Profit and loss account	49,549,939	–	5,947,471	–
- Other comprehensive income	–	–	–	84,222,391

44.2.5 Mismatch of Interest Rate Sensitive Assets and Liabilities

2020

	Effective yield/ interest rate	Total	Exposed to Yield / Interest risk									Non-interest bearing financial instruments
			Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years	
		Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	
On-balance sheet financial instruments												
Assets												
Cash and balances with treasury banks	–	107,773,417	–	–	–	–	–	–	–	–	–	107,773,417
Balances with other banks	5.50	557,227,616	548,926,090	–	–	–	–	–	–	–	–	8,301,526
Lending to financial institutions	6.40	119,988,000	119,988,000	–	–	–	–	–	–	–	–	–
Investments	8.65	35,556,859,445	362,784,012	18,686,339,400	319,059,421	1,000,335,000	–	–	7,143,206,000	4,728,845,000	–	3,316,290,612
Advances	10.13	6,810,990,427	1,221,895,716	3,049,050,385	2,476,582,429	4,922,949	4,064,946	–	–	54,474,002	–	–
Other assets	–	1,130,002,707	–	–	–	–	–	–	–	–	–	1,130,002,707
		44,282,841,612	2,253,593,818	21,735,389,785	2,795,641,850	1,005,257,949	4,064,946	-	7,143,206,000	4,783,319,002	–	4,562,368,262
Liabilities												
Borrowings	7.18	32,319,679,434	27,710,106,428	695,028,419	3,075,874,009	51,748,018	126,908,632	126,908,632	219,755,058	313,350,238	–	–
Deposits and other accounts	7.41	2,445,800,000	2,095,000,000	10,000,000	340,800,000	–	–	–	–	–	–	–
Other liabilities	–	358,490,301	–	–	–	–	–	–	–	–	–	358,490,301
		35,123,969,735	29,805,106,428	705,028,419	3,416,674,009	51,748,018	126,908,632	126,908,632	219,755,058	313,350,238	–	358,490,301
On-balance sheet gap		9,158,871,877	(27,551,512,610)	21,030,361,366	(621,032,159)	953,509,931	(122,843,686)	(126,908,632)	6,923,450,942	4,469,968,764	–	4,203,877,961
Off-balance sheet financial instruments		–	–	–	–	–	–	–	–	–	–	–
Off-balance sheet gap		–	–	–	–	–	–	–	–	–	–	–
Total Yield/Interest Risk Sensitivity Gap			(27,551,512,610)	21,030,361,366	(621,032,159)	953,509,931	(122,843,686)	(126,908,632)	6,923,450,942	4,469,968,764	–	4,203,877,961
Cumulative Yield/Interest Risk Sensitivity Gap			(27,551,512,610)	(6,521,151,244)	(7,142,183,403)	(6,188,673,472)	(6,311,517,158)	(6,438,425,790)	485,025,152	4,954,993,916	4,954,993,916	–

2019

	Effective yield/ interest rate	Total	Exposed to Yield / Interest risk									Non-interest bearing financial instruments
			Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years	
		Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	
On-balance sheet financial instruments												
Assets												
Cash and balances with treasury banks	–	36,408,879	–	–	–	–	–	–	–	–	–	36,408,879
Balances with other banks	11.25	126,036,504	120,057,502	–	–	–	–	–	–	–	–	5,979,002
Lending to financial institutions	13.05	80,000,000	80,000,000	–	–	–	–	–	–	–	–	–
Investments	14.27	23,903,994,963	92,729,028	14,624,744,000	979,175,421	911,545,000	4,175,703,000	–	–	–	–	3,120,098,514
Advances	14.77	7,869,204,539	1,425,166,350	4,295,921,658	2,092,499,999	545,700	3,599,650	–	–	51,471,182	–	–
Other assets	–	1,168,415,942	–	–	–	–	–	–	–	–	–	1,168,415,942
		33,184,060,827	1,717,952,880	18,920,665,658	3,071,675,420	912,090,700	4,179,302,650	–	–	51,471,182	–	4,330,902,337
Liabilities												
Borrowings	13.26	22,759,019,394	15,022,338,500	4,006,890,916	3,007,124,008	14,248,016	103,496,036	103,496,036	201,425,898	299,999,984	–	–
Deposits and other accounts	13.71	510,000,000	500,000,000	10,000,000	–	–	–	–	–	–	–	–
Other liabilities	–	345,675,095	–	–	–	–	–	–	–	–	–	345,675,095
		23,614,694,489	15,522,338,500	4,016,890,916	3,007,124,008	14,248,016	103,496,036	103,496,036	201,425,898	299,999,984	–	345,675,095
On-balance sheet gap		9,569,366,338	(13,804,385,620)	14,903,774,742	64,551,412	897,842,684	4,075,806,614	(103,496,036)	(201,425,898)	(248,528,802)	–	3,985,227,242
Off-balance sheet financial instruments		–	–	–	–	–	–	–	–	–	–	–
Off-balance sheet gap		–	–	–	–	–	–	–	–	–	–	–
Total Yield/Interest Risk Sensitivity Gap			(13,804,385,620)	14,903,774,742	64,551,412	897,842,684	4,075,806,614	(103,496,036)	(201,425,898)	(248,528,802)	–	3,985,227,242
Cumulative Yield/Interest Risk Sensitivity Gap			(13,804,385,620)	1,099,389,122	1,163,940,534	2,061,783,218	6,137,589,832	6,034,093,796	5,832,667,898	5,584,139,096	5,584,139,096	–

Also disclose reconciliation of financial assets with total assets and liabilities.

Yield Risk is the risk of decline in earnings due to adverse movement of the yield curve. Interest rate risk is the risk that the value of the financial instrument will fluctuate due to changes in the market interest rates.

In the case of off-balance sheet financial instruments, disclose information about the extent and nature, including significant terms and conditions that may affect the amount, timing and certainty of future cash flows. Further, disclose the bank's Yield/ Interest risk management objectives and policies.

The repricing profile should be based on the remaining period to the next interest repricing date. Derivatives financial instruments that have been used for asset and liability management purposes to hedge exposure to interest rate risk should be incorporated in the repricing profiles of the related hedged assets and liabilities. The loan provisions has to be deducted from related class of asset

44.3 Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people, systems or from external events. Types of events that can lead to operational risk include:

- Internal / external fraud events
- Employment practices & workplace safety events
- Clients, products & business practices events
- Damage to physical assets events
- Business disruption and system failures events
- Execution, delivery & process management events

Types of operational risk losses can include monetary, regulatory, client, or health & safety loss, or legal liability / inability to enforce legal claim, and measures that may be taken to mitigate losses include improving underlying processes through enhanced internal controls, having contingency plan / backup arrangements in place, and ensuring adequate insurance coverage.

The Company's operational risk management process is governed by the Operational Risk Management Framework ("ORMF") and Operational Risk Policy which have been duly approved by the Board of Directors. The operational risk management structure comprises the line management as first line of defense, an independent Operational Risk Management Unit ("ORMU") operating under the Risk Management Division ("RMD") as second line of defense, and independent Internal Audit as third line of defense. An organizational culture of integrity and discipline built through trainings and appropriate hiring, and separation of duties and principles of internal control as embedded in relevant policies and procedures, are key principles for operational risk management. Operational Risk Coordinators ("ORCs") that have been established from each division work with the ORMU to identify, analyze, explain and mitigate operational issues within their respective areas of expertise. The ORMU develops and updates the ORMF, implements operational risk measurement and reporting, and coordinates with ORCs to source necessary information and promote sound operational risk management. Senior management-level Operational Risk Management Committee ("ORMC") meets quarterly with the goal to assure that actions are being taken to meet the stated objective of operational risk management in the Company. Presently loss data, key risk indicators, risk & control self-assessments, and scenario analysis are being used to assess operational risk. Operational risk reports on the basis of these tools, along with suggested risk mitigants where required, are presented by ORMU to the ORMC. Operational risk reports are also discussed as part of the agenda of meetings of Risk Management Committee of the Board ("RMCB").

In order to ensure business continuity, resumption and recovery of critical business process after a disaster, the Company has a robust Business Continuity Plan / Disaster Recovery Plan in place, with off-site backup and regular testing carried out. The Company also has a Technology Governance Framework & IT Security Policy in place, addressing issues such as incident reporting, risk identification, IT controls and systems security, with added oversight provided by regular meetings of the IT Steering Committee of management. KYC / AML Policies are also in place for Credit and Treasury activities.

Basic Indicator Approach with capital charge of 15% of average gross income for previous 3 years has been applied for Operational Risk. Loss data process has been fully implemented, with ORCs providing details for events / near misses / potential losses through an in-house software.

44.4 Liquidity Risk

Liquidity risk is the potential for loss arising from either an inability to meet obligations or to fund increase in assets as they fall due without incurring unacceptable cost or losses.

The liquidity risk strategy of the Company is to strive to maintain liquidity at an acceptable level over the short- and long-term, in order to settle financial obligations in a timely and economical manner. Liquidity Risk Policy, Treasury Policy and Contingency Funding Plan are in place to govern the liquidity risk management process. The prime responsibility for the management of liquidity risk lies with Treasury Division (TD) which ensures that the Company's operations can meet its current and future funding needs. Mix of Saudi Pak assets and liabilities is monitored by TD to ensure that gaps are efficiently managed, and target gap levels are in place. Regulatory limits (e.g. Statutory Liquidity Requirement [SLR], Net Stable Funding Ratio [NSFR]) are monitored and returns are submitted. Internal limit on liquid assets to total borrowings and deposits is also in place. TD further aims for effective diversification of sources of borrowing / liquidity. The Company's leverage also remains well within parameters allowed by SBP, ensuring a stable source of liquidity in the form of capital. ALCO provides additional oversight for liquidity risk management through its monthly meetings. The Market & Liquidity Risk / Middle Office Unit housed in RMD independently reviews liquidity risk policy, and monitors liquidity ratios, gaps and funding concentrations on daily basis, providing regular reporting on the same to ALCO along with stress testing, with timely escalation in case of any limit breach. The Company overall strives to maintain a strong market reputation and to keep credit risk and market risk within manageable limits so that these risks may not trigger any undesirable liquidity crunch.

44.4.1 Maturities of Assets and Liabilities - based on contractual maturity of the assets and liabilities of the Company

	2020													
	Total	Upto 1 day	Over 1 to 7 days	Over 7 to 14 days	Over 14 days to 1 month	Over 1 to 2 months	Over 2 to 3 months	Over 3 to 6 months	Over 6 to 9 months	Over 9 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 years
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Assets														
Cash and balances with treasury banks	107,773,417	107,773,417	–	–	–	–	–	–	–	–	–	–	–	–
Balances with other banks	557,227,616	557,227,616	–	–	–	–	–	–	–	–	–	–	–	–
Non-current asset classified as held for sale	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Lending to financial institutions	119,988,000	–	119,988,000	–	–	–	–	–	–	–	–	–	–	–
Investments	35,556,859,445	–	–	32,784,012	–	30,000	105,699,499	58,000	1,000,365,000	2,278,159,526	531,607,400	545,050,000	8,125,461,000	22,937,645,008
Advances	6,810,990,427	36,339,716	–	–	529,600	39,338,448	563,429,357	1,350,501,721	634,731,006	732,973,646	1,072,125,077	741,637,608	1,115,962,165	523,422,083
Fixed assets	2,956,247,925	331,673	1,990,036	2,321,708	5,306,762	9,950,179	9,950,179	33,217,018	29,850,536	29,850,537	115,325,735	105,616,465	205,175,879	2,407,361,218
Intangible assets	7,229,440	6,693	40,159	46,853	107,092	200,797	200,798	602,392	602,392	602,393	2,409,570	2,410,301	–	–
Deferred tax assets	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Other assets	2,119,368,511	568,612,486	–	–	8,286,723	135,538,296	271,076,592	265,072,890	435,390,762	435,390,762	–	–	–	–
	48,235,684,781	1,270,291,601	122,018,195	35,152,573	14,230,177	185,057,720	950,356,425	1,649,452,021	2,100,939,696	3,476,976,864	1,721,467,782	1,394,714,374	9,446,599,044	25,868,428,309
Liabilities														
Bills payable	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Borrowings	32,319,679,434	–	7,610,000,000	6,120,369,333	13,804,737,092	131,235,246	63,793,173	559,207,342	271,707,342	684,207,346	1,101,908,632	1,001,908,632	657,255,058	313,350,238
Deposits and other accounts	2,445,800,000	–	–	–	1,095,000,000	1,000,000,000	10,000,000	340,800,000	–	–	–	–	–	–
Liabilities against assets subject to finance lease	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Subordinated debt	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Deferred tax liabilities	40,297,275	331,008	–	–	4,824	335,816	671,631	1,007,447	671,615	1,343,229	4,029,737	4,029,737	8,059,475	19,812,756
Other liabilities	517,769,021	2,919,180	20,434,260	40,868,521	23,353,441	58,383,601	116,767,203	121,785,692	58,181,313	58,181,313	–	–	5,068,349	11,826,148
	35,323,545,730	3,250,188	7,630,434,260	6,161,237,854	14,923,095,357	1,189,954,663	191,232,007	1,022,800,481	330,560,270	743,731,888	1,105,938,369	1,005,938,369	670,382,882	344,989,142
Net assets	12,912,139,051	1,267,041,413	(7,508,416,065)	(6,126,085,281)	(14,908,865,180)	(1,004,896,943)	759,124,418	626,651,540	1,770,379,426	2,733,244,976	615,529,413	388,776,005	8,776,216,162	25,523,439,167
Share capital/ Head office capital account	6,600,000,000													
Reserves	1,543,528,706													
Unappropriated/ Unremitted profit	3,353,786,002													
Surplus/(Deficit) on revaluation of assets	1,414,824,343													
	12,912,139,051													

	2019													
	Total	Upto 1 day	Over 1 to 7 days	Over 7 to 14 days	Over 14 days to 1 month	Over 1 to 2 months	Over 2 to 3 months	Over 3 to 6 months	Over 6 to 9 months	Over 9 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 years
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Assets														
Cash and balances with treasury banks	36,408,879	36,408,879	–	–	–	–	–	–	–	–	–	–	–	–
Balances with other banks	126,036,504	126,036,504	–	–	–	–	–	–	–	–	–	–	–	–
Non-current asset classified as held for sale	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Lending to financial institutions	80,000,000	–	80,000,000	–	–	–	–	–	–	–	–	–	–	–
Investments	23,903,994,963	–	–	92,729,028	–	30,000	50,625,000	58,000	911,575,000	2,137,041,927	4,175,879,000	526,213,000	1,227,645,000	14,782,199,008
Advances	7,869,204,539	286,396,319	253,818	–	23,748,689	60,519,882	642,215,999	1,309,671,766	567,026,297	788,663,384	1,144,666,672	969,569,584	1,473,172,957	603,299,172
Fixed assets	3,054,741,640	340,801	2,044,805	2,385,605	5,452,812	10,224,023	17,283,393	30,672,068	30,672,069	30,672,069	122,688,273	118,611,861	211,639,477	2,472,054,385
Intangible assets	8,488,075	7,859	47,151	55,010	125,737	235,756	235,756	707,268	707,268	707,268	2,829,073	2,829,930	–	–
Deferred tax assets	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Other assets	2,005,708,818	537,814,290	498,404	57,272,437	31,162,207	141,038,991	282,077,983	290,650,238	332,597,135	332,597,135	–	–	–	–
	37,084,583,418	987,004,651	82,844,178	152,442,080	60,489,445	212,048,652	992,438,131	1,631,759,340	1,842,577,768	3,289,681,782	5,446,063,018	1,617,224,375	2,912,457,434	17,857,552,565
Liabilities														
Bills payable	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Borrowings	22,759,019,394	–	600,000,000	4,058,333,333	9,955,671,832	2,430,597,743	201,293,173	840,457,341	452,957,341	540,457,341	1,661,829,372	828,496,036	888,925,898	299,999,384
Deposits and other accounts	510,000,000	–	–	–	–	500,000,000	10,000,000	–	–	–	–	–	–	–
Liabilities against assets subject to finance lease	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Subordinated debt	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Deferred tax liabilities	299,466,049	2,141,580	1,985	228,059	124,088	2,495,587	4,991,174	7,486,761	4,991,052	9,982,103	29,946,678	29,946,678	59,893,357	147,236,947
Other liabilities	512,722,650	2,814,028	19,698,197	39,396,395	22,512,226	56,280,564	112,561,128	118,455,531	51,052,027	62,005,442	13,731,754	–	4,264,608	9,950,751
	24,081,208,093	4,955,608	619,700,182	4,097,957,787	9,978,308,146	2,989,373,894	328,845,475	966,399,633	509,000,420	612,444,886	1,705,507,804	858,442,714	953,083,863	457,187,682
Net assets	13,003,375,325	982,049,043	(536,856,004)	(3,945,515,707)	(9,917,818,701)	(2,777,325,241)	663,592,656	665,359,707	1,333,577,348	2,677,236,896	3,740,555,214	758,781,661	1,959,373,571	17,400,364,883
Share capital/ Head office capital account	6,600,000,000													
Reserves	1,420,278,666													
Unappropriated/ Unremitted profit	2,795,778,454													
Surplus/(Deficit) on revaluation of assets	2,187,318,205													
	13,003,375,325													

44.4.2 Maturities of assets and liabilities - based on expected maturities of the assets and liabilities of the Company.

	2020									
	Total	Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 Year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Assets										
Cash and balances with treasury banks	107,773,417	107,773,417	–	–	–	–	–	–	–	–
Balances with other banks	557,227,616	557,227,616	–	–	–	–	–	–	–	–
Non-current asset classified as held for sale	–	–	–	–	–	–	–	–	–	–
Lending to financial institutions	119,988,000	119,988,000	–	–	–	–	–	–	–	–
Investments	35,556,859,445	32,784,012	105,729,499	58,000	3,278,524,526	531,607,400	545,050,000	8,125,461,000	22,437,645,008	500,000,000
Advances	6,810,990,427	36,869,316	602,767,805	1,350,501,721	1,367,704,652	1,072,125,077	741,637,608	1,115,962,165	505,394,904	18,027,179
Fixed assets	2,956,247,925	9,950,179	19,900,358	33,217,018	59,701,073	115,325,735	105,616,465	205,175,879	349,545,269	2,057,815,949
Intangible assets	7,229,440	200,797	401,595	602,392	1,204,785	2,409,570	2,410,301	–	–	–
Deferred tax assets	–	–	–	–	–	–	–	–	–	–
Other assets	2,119,368,511	576,899,209	406,614,888	265,072,890	870,781,524	–	–	–	–	–
	48,235,684,781	1,441,692,546	1,135,414,145	1,649,452,021	5,577,916,560	1,721,467,782	1,394,714,374	9,446,599,044	23,292,585,181	2,575,843,128
Liabilities										
Bills payable	–	–	–	–	–	–	–	–	–	–
Borrowings	32,319,679,434	27,535,106,425	195,028,419	559,207,342	955,914,688	1,101,908,632	1,001,908,632	657,255,058	313,350,238	-
Deposits and other accounts	2,445,800,000	1,095,000,000	1,010,000,000	340,800,000	–	–	–	–	–	–
Liabilities against assets subject to finance lease	–	–	–	–	–	–	–	–	–	–
Subordinated debt	–	–	–	–	–	–	–	–	–	–
Deferred tax liabilities	40,297,275	335,832	1,007,447	1,007,447	2,014,844	4,029,737	4,029,737	8,059,475	9,919,805	9,892,951
Other liabilities	517,769,021	87,575,402	175,150,804	121,785,692	116,362,626	–	–	5,068,349	11,826,148	–
	35,323,545,730	28,718,017,659	1,381,186,670	1,022,800,481	1,074,292,158	1,105,938,369	1,005,938,369	670,382,882	335,096,191	9,892,951
Net assets	12,912,139,051	(27,276,325,113)	(245,772,525)	626,651,540	4,503,624,402	615,529,413	388,776,005	8,776,216,162	22,957,488,990	2,565,950,177
Share capital/ Head office capital account	6,600,000,000									
Reserves	1,543,528,706									
Unappropriated/ Unremitted profit	3,353,786,002									
Surplus/(Deficit) on revaluation of assets	1,414,824,343									
	12,912,139,051									

	Total	2019								
		Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 Year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Assets										
Cash and balances with treasury banks	36,408,879	36,408,879	-	-	-	-	-	-	-	-
Balances with other banks	126,036,504	126,036,504	-	-	-	-	-	-	-	-
Non-current asset classified as held for sale	-	-	-	-	-	-	-	-	-	-
Lending to financial institutions	80,000,000	80,000,000	-	-	-	-	-	-	-	-
Investments	23,903,994,963	92,729,028	50,655,000	58,000	3,048,616,927	4,175,879,000	526,213,000	1,227,645,000	14,282,199,008	500,000,000
Advances	7,869,204,539	310,398,826	702,735,881	1,309,671,766	1,355,689,681	1,144,666,672	969,569,584	1,473,172,957	603,299,172	-
Fixed assets	3,054,741,640	10,224,023	27,507,416	30,672,068	61,344,137	122,688,273	118,611,861	211,639,477	365,070,422	2,106,983,963
Intangible assets	8,488,075	235,756	471,512	707,268	1,414,536	2,829,073	2,829,930	-	-	-
Deferred tax assets	-	-	-	-	-	-	-	-	-	-
Other assets	2,005,708,818	626,747,337	423,116,974	290,650,238	665,194,269	-	-	-	-	-
	37,084,583,418	1,282,780,353	1,204,486,783	1,631,759,340	5,132,259,550	5,446,063,018	1,617,224,375	2,912,457,434	15,250,568,602	2,606,983,963
Liabilities										
Bills payable	-	-	-	-	-	-	-	-	-	-
Borrowings	22,759,019,394	14,614,005,165	2,631,890,916	840,457,341	993,414,682	1,661,829,372	828,496,036	888,925,898	299,999,984	-
Deposits and other accounts	510,000,000	-	510,000,000	-	-	-	-	-	-	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-
Subordinated debt	-	-	-	-	-	-	-	-	-	-
Deferred tax liabilities	299,466,049	2,495,712	7,486,761	7,486,761	14,973,155	29,946,678	29,946,678	59,893,357	74,866,512	72,370,435
Other liabilities	512,722,650	84,420,846	168,841,692	118,455,531	113,057,469	13,731,754	-	4,264,608	9,950,751	-
	24,081,208,093	14,700,921,723	3,318,219,369	966,399,633	1,121,445,306	1,705,507,804	858,442,714	953,083,863	384,817,247	72,370,435
Net assets	13,003,375,325	(13,418,141,370)	(2,113,732,585)	665,359,707	4,010,814,244	3,740,555,214	758,781,661	1,959,373,571	14,865,751,355	2,534,613,528
Share capital/ Head office capital account	6,600,000,000									
Reserves	1,420,278,666									
Unappropriated/ Unremitted profit	2,795,778,454									
Surplus/(Deficit) on revaluation of assets	2,187,318,205									
	13,003,375,325									

44.5 Derivative Risk

Presently the Company does not have exposure in derivative products, and consequently is not exposed to derivatives-related risk.

44.6 COVID-19 Risk Management

The COVID-19 pandemic has taken a toll on all economies and emerged as a contagion risk around the globe, including Pakistan. To reduce the impact on businesses and economies in general, regulators / governments across the globe have introduced a number of measures on both the fiscal and economic fronts. The risk management policies continue to remain robust and the Company is reviewing its portfolio regularly and conducts rapid portfolio reviews in line with emerging risks.

The State Bank of Pakistan (SBP) has also responded to the crisis by cutting the Policy Rate by 625 basis points since the beginning of the year, to 7% till December 31, 2020. Other regulatory measures to provide an impetus to economic activity include the following:

- reduction in the capital conservation buffer by 100 basis points to 1.5%;
- increasing the regulatory limit on extension of credit to SMEs to Rs 180 million;
- relaxing the debt burden ratio for consumer loans from 50% to 60%;
- The timeline for classification of 'trade bills' as non-performing has been extended from 180 days overdue to 365 days overdue;
- The financing facilities of obligors which have requested for deferment or rescheduling / restructuring are not required to be classified unless the payment obligations are past due by 180 days;
- allowing banks to defer borrowers' principal loan payments by one year and or restructure / reschedule loans for borrowers who require relief of principal repayment exceeding one year and / or mark-up with no reflection on credit history; and
- Introduction of refinancing schemes for payment of wages and salaries.

COVID-19 will impact financial institutions in Pakistan on a number of fronts including increase in credit risk pertaining to the loans and advances portfolio, reduced fee income due to overall slowdown in economic activity, continuity of business operations and managing cybersecurity threat as certain Company's staff members are working from home and an ever increasing number of customers are being encouraged to use digital channels. Major aspects of COVID 19 on the Company's risk management policies are given below:

Credit risk management

The risk management function of the Company is regularly conducting assessments of the credit portfolio to identify borrowers most likely to get affected due to changes in the business and economic environment. The Company has further strengthened its credit review procedures in light of the COVID-19. The Company is continuously reviewing the portfolio, to identify accounts susceptible to higher risk, resulting from the COVID-19 outbreak.

Liquidity risk management

In view of the relaxation granted by the SBP for deferral of principal and mark-up and rescheduling of loans there will be an impact on the maturity profile of the Company. The asset and liability committee (ALCO) of the Company is continuously monitoring the liquidity position and the Company is confident that the liquidity buffer currently maintained is sufficient to cater any adverse movement in the cash flow maturity profile.

Equity risk management

The carrying value of the Company's investment in listed equity securities classified as available-for-sale, amounts to Rs 2,248 million as at December 31, 2020. The Company has recorded gross impairment of Rs 217 million in these unconsolidated financial statements.

Operational risk management

The Company is closely monitoring the situation and has invoked required actions to ensure the safety and security of the Bank's staff and uninterrupted service to customers. The senior management of the Company is continuously monitoring the situation and is taking timely decisions to resolve any concerns.

Business Continuity Plans (BCP) for respective areas are in place and tested. The Company has significantly enhanced monitoring of cybersecurity risk during these times. Remote work capabilities were enabled for staff, where required, and related risk and control measures were assessed to ensure that the Company's information assets are protected from emerging cyber threats and comply with the regulatory protocols required under the circumstances. The Company has taken all measures to ensure that service levels are maintained, customer complaints are resolved and turnaround times are monitored and the Company continues to meet the expectations of its employees and customers.

Capital adequacy ratio

Under the current scenario, the Company's are under pressure to extend further credit to their borrowers, while overall deteriorating credit risk and increased NPL may also put additional pressures on the Company from Capital Adequacy Ratio (CAR) perspective. The SBP has relaxed the Capital Conversion Buffer (CCB) requirements for the Banks to 1.5%, resulting in an overall CAR requirement of 11.5%. The reduced CCB has also provided an additional limit to the Company for its tier 2 capital. Further, the regulatory limit for retail loans has also been increased by the SBP to 180 million, which will result in reduced Risk Weighted Assets (RWA) for some of its loans. In addition to the measures by SBP, the senior management of the Company is continuously monitoring the impacts of various decisions of its CAR and taking further lending decisions based on the overall impacts on RWA. The Company also believes that it has sufficient buffer in its CAR requirement to meet any adverse movements in credit, market or operational risks.

45 DATE OF AUTHORIZATION

These unconsolidated financial statements were authorized for issue by the Board of Directors of the Saudi Pak Industrial and Agricultural Investment Company Limited on 27 Feb 2021.

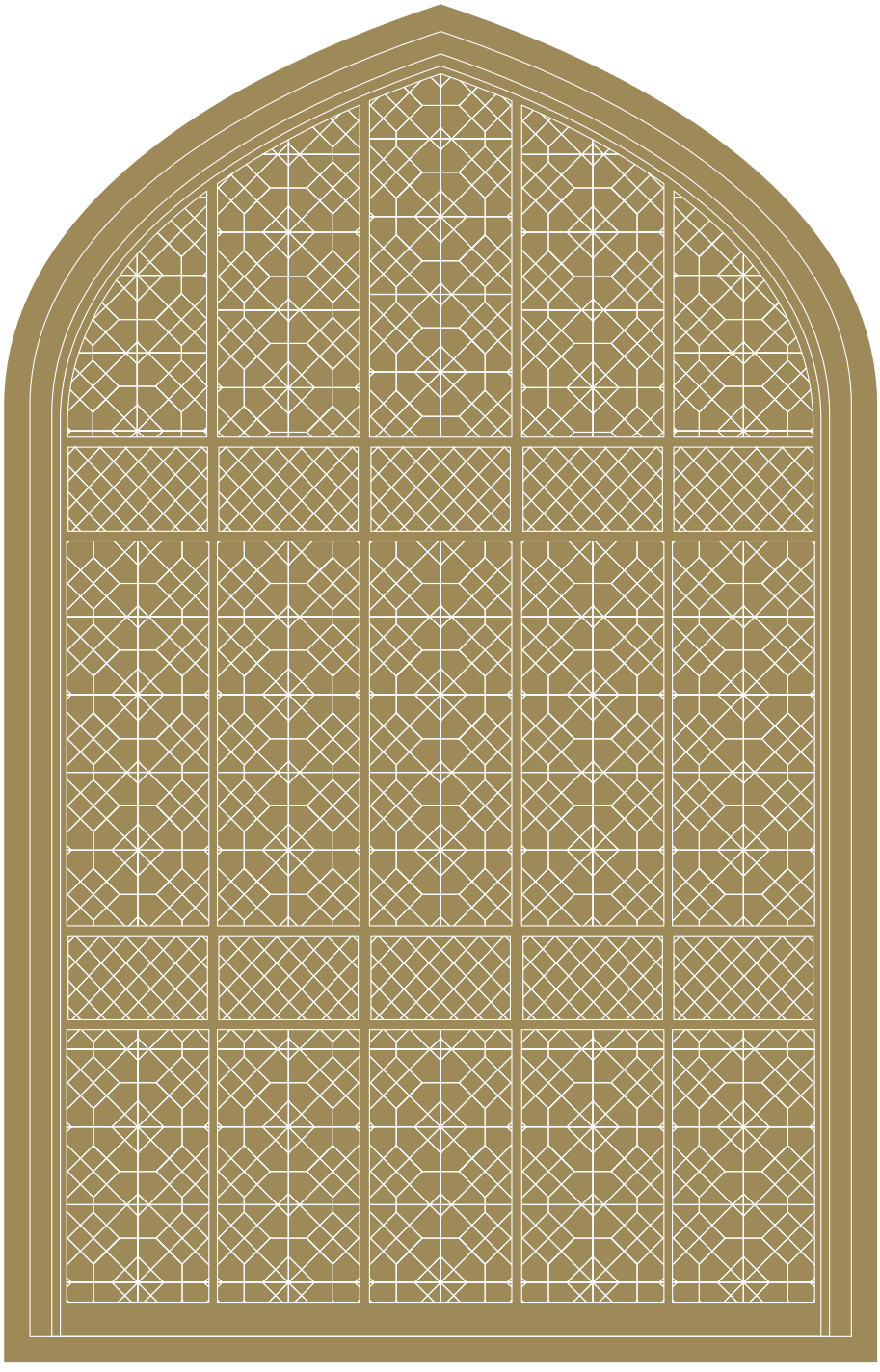
GM / Chief Executive | Chief Financial Officer | Director | Director / Deputy Chairman | Director / Chairman

Annexure - I

STATEMENT SHOWING WRITTEN OFF LOANS OR ANY OTHER FINANCIAL RELIEF
OF FIVE HUNDRED THOUSAND RUPEES OR ABOVE,
PROVIDED DURING THE YEAR JANUARY - DECEMBER 31, 2020

(Rupees in million)

S. No	Name and address	Name of individual / Partners / Directors	CNIC No.	Fathers' / Husband Nanme	Outstanding liabilities at the begining of the year				Principal written off	Mark up waived	Other financial relief provided	Total
					Principal	Mark up	Others	Total				
1	2	3	4	5	6	7	8	9	10	11	12	13
1	Nina Industries Limited A-29/A, SITE, Mangopir Road, Karachi	Mr. Saeed A. Sattar (Deceased) Mr. Waqar A. Sattar Mrs. Urooj Saeed Mr. Kashif Saeed Sattar Mr. Yasir Waqar	517-38-252127 42201-6071516-3 42301-5809641-9 42000-5177233-5 42201-3174193-5	Shaikh Abdul Sattar Shaikh Abdul Sattar Saeed A. Sattar Saeed A. Sattar Waqar A. Sattar	93.084	34.881	0.000	127.965	0.000	34.881	0.000	34.881
2	A.H. International (Pvt.) Limited D-61, Block-4, KDA Scheme 5, Clifton, Karachi	Mr. Adnan Sherazee Mrs. Seema Sherazee Mr. Malik Ali Zain	42301-8051825-9 42301-6550746-4 42301-3375828-9	Muhammad Mohsin Sherazee Adnan Sherazee Malik Naseem Akhter	24.634	10.360	0.000	34.994	24.634	10.360	126.924	161.918
					117.718	45.241	0.000	162.959	24.634	45.241	126.924	196.799



FINANCIAL STATEMENTS

for the year ended December 31, 2020

CONSOLIDATED

INDEPENDENT AUDITOR'S REPORT

To the Members of Saudi Pak Industrial and Agricultural Investment Company Limited

Opinion

We have audited the annexed consolidated financial statements of Saudi Pak Industrial and Agricultural Investment Company Limited and its subsidiary Company, Saudi Pak Real Estate Limited ('the Group'), which comprise the consolidated statement of financial position as at December 31, 2020 and the consolidated statement of profit and loss account, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2020 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the accounting and reporting standards as applicable in Pakistan.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of the Chartered Accountants of Pakistan' (the Code), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

We draw attention to note 23.3.1 to consolidated financial statements, which describes the uncertainty related to the outcome of the tax references filed by the Holding Company before the Islamabad High Court which is pending adjudication. Our opinion is not modified in respect of this matter.

Information Other than the Unconsolidated and Consolidated Financial Statements and Auditor's Reports Thereon

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the unconsolidated and consolidated financial statements and our auditor's reports thereon.

Our opinion on the unconsolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the unconsolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the unconsolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

A. F. FERGUSON & CO., Chartered Accountants, a member firm of the PwC network
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KARACHI LAHORE ISLAMABAD

Responsibilities of Management and the Board of Directors for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting and reporting standards as applicable in Pakistan and Companies Act, 2017 and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

A. F. FERGUSON & CO., Chartered Accountants, a member firm of the PwC network
74-East, 2nd Floor, Blue Area, Jinnah Avenue, P.O.Box 3021, Islamabad-44000, Pakistan
Tel: +92 (51) 2273457-60/2604934-37; Fax: +92 (51) 2277924, 2206473; < www.pwc.com/pk>

KARACHI LAHORE ISLAMABAD

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

The engagement partner on the audit resulting in this independent auditor's report is JehanZeb Amin.

Chartered Accountants
Islamabad
Date: March 3, 2021

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KARACHI LAHORE ISLAMABAD

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31, 2020

	Note	2020 Rupees	2019 Rupees
ASSETS			
Cash and balances with treasury banks	7	107,801,624	36,415,621
Balances with other banks	8	616,653,510	145,929,979
Non-current asset classified as held for sale	9	–	–
Lendings to financial institutions	10	119,988,000	80,000,000
Investments	11	35,296,814,782	23,653,106,371
Advances	12	6,811,564,922	7,869,530,921
Fixed assets	13	3,151,298,418	3,226,138,281
Intangible assets	14	7,229,440	8,488,075
Deferred tax assets		–	–
Other assets	15	2,133,546,526	2,016,597,323
Development properties	16	198,210,163	246,626,663
		48,443,107,385	37,282,833,234
LIABILITIES			
Bills payable		–	–
Borrowings	17	32,319,679,434	22,784,019,394
Deposits and other accounts	18	2,445,800,000	510,000,000
Liabilities against assets subject to finance lease		–	–
Subordinated debt		–	–
Deferred tax liabilities	19	40,297,275	299,466,049
Other liabilities	20	504,367,572	489,272,292
		35,310,144,281	24,082,757,735
NET ASSETS		13,132,963,104	13,200,075,499
REPRESENTED BY			
Share capital	21	6,600,000,000	6,600,000,000
Statutory reserve		1,184,865,766	1,061,615,726
Revenue reserve		358,662,940	358,662,940
Surplus on revaluation of assets	22	1,414,824,343	2,187,318,205
Unappropriated/ Unremitted profit		3,574,610,055	2,992,478,628
		13,132,963,104	13,200,075,499
CONTINGENCIES AND COMMITMENTS	23		

The annexed notes 1 to 46 and annexure I form an integral part of these consolidated financial statements.

GM / Chief Executive | Chief Financial Officer | Director | Director / Deputy Chairman | Director / Chairman

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For The Year Ended December 31, 2020

	Note	2020 Rupees	2019 Rupees
Mark-up / Return / Interest Earned	25	3,758,299,840	2,346,115,801
Mark-up / Return / Interest Expensed	26	2,738,341,703	1,557,546,517
Net Mark-up / Interest Income		1,019,958,137	788,569,284
NON MARK-UP / INTEREST INCOME			
Fee and commission income	27	3,051,724	14,699,794
Dividend income		160,301,643	184,264,953
Foreign exchange income		375,816	1,836,436
Income / (loss) from derivatives		–	–
Gain on securities	28	223,402,460	21,578,967
Other income	29	238,480,721	214,083,801
Total Non-markup / Interest Income		625,612,364	436,463,951
Total Income		1,645,570,501	1,225,033,235
NON MARK-UP / INTEREST EXPENSES			
Operating expenses	30	469,034,734	470,670,465
Workers Welfare Fund		–	–
Other charges	31	–	2,353,000
Total Non-markup / Interest Expenses		469,034,734	473,023,465
Profit Before Provisions		1,176,535,767	752,009,770
Provisions and write offs - net	32	340,284,317	328,486,672
Extra ordinary / unusual items		–	–
PROFIT BEFORE TAXATION		836,251,450	423,523,098
Taxation	33	195,723,385	140,323,862
PROFIT AFTER TAXATION		640,528,065	283,199,236
Basic Earnings per share	34	0.970	0.429
Diluted Earnings per share	35	0.970	0.429

The annexed notes 1 to 46 and annexure I form an integral part of these consolidated financial statements.

GM / Chief Executive | Chief Financial Officer | Director | Director / Deputy Chairman | Director / Chairman

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For The Year Ended December 31, 2020

	2020 Rupees	2019 Rupees
Profit after taxation for the year	640,528,065	283,199,236
Other comprehensive (loss) / income		
Items that may be reclassified to profit and loss account in subsequent periods:		
Movement in (deficit) / surplus on revaluation of investments - net of tax	(706,546,758)	402,473,426
	(706,546,758)	402,473,426
Items that will not be reclassified to profit and loss account in subsequent periods:		
Remeasurement (loss) / gain on defined benefit obligations - net of tax	(1,093,702)	1,207,392
Movement in surplus on revaluation of non-banking assets	–	14,477,555
	(1,093,702)	15,684,947
Total comprehensive (loss) / income	(67,112,395)	701,357,609

The annexed notes 1 to 46 and annexure I form an integral part of these consolidated financial statements.

GM / Chief Executive | Chief Financial Officer | Director | Director / Deputy Chairman | Director / Chairman

CONSOLIDATED CASH FLOW STATEMENT

For The Year Ended December 31, 2020

	Note	2020 Rupees	2019 Rupees
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation		836,251,450	423,523,098
Less: Dividend income		(160,301,643)	(184,264,953)
		675,949,807	239,258,145
Adjustments:			
Depreciation		140,414,444	138,769,350
Amortization	14	4,146,275	2,673,392
Provision and write-offs	32	340,284,317	328,486,672
Gain on sale of fixed assets		(4,317,151)	(11,614,892)
Charge for defined benefit plan	30.1	7,718,259	8,042,619
Charge for compensated absences	30.1	4,047,081	3,113,287
Unrealized gain - held for trading investments	11.1	(1,607,097)	–
		490,686,128	469,470,428
		1,166,635,935	708,728,573
(Increase) / decrease in operating assets			
Lendings to financial institutions		(39,988,000)	2,738,407,389
Held-for-trading securities		(74,467,402)	–
Development properties		48,416,500	(33,000,841)
Advances		739,645,925	(81,108,699)
Others assets (excluding advance taxation)		63,527,218	(915,224,979)
		737,134,241	1,709,072,870
Increase in operating liabilities			
Borrowings from financial institutions		9,535,660,040	16,937,681,112
Deposits		1,935,800,000	502,500,000
Other liabilities (excluding current taxation)		12,235,204	566,417
		11,483,695,244	17,440,747,529
Payments against off-balance sheet obligations		–	–
Payment to defined benefit plan		(10,382,794)	(13,292,869)
Income tax paid		(549,986,789)	(330,461,117)
Net cash flow from operating activities		12,827,095,837	19,514,794,986
CASH FLOW FROM INVESTING ACTIVITIES			
Net investments in available-for-sale securities		(12,451,161,703)	(18,923,280,738)
Net investments in held-to-maturity securities		30,332,071	(582,245,154)
Dividends received		196,401,383	147,967,575
Investments in operating fixed assets		(68,105,233)	(84,756,786)
Proceeds from sale of fixed assets		7,547,179	24,986,188
Sale proceeds from disposal of non banking assets		–	–
Net cash flow used in investing activities		(12,284,986,303)	(19,417,328,915)
CASH FLOW FROM FINANCING ACTIVITIES			
Dividend paid		–	(330,000,000)
Net cash flow used in financing activities		–	(330,000,000)
Effects of exchange rate changes on cash and cash equivalents		–	–
Increase / (Decrease) in cash and cash equivalents		542,109,534	(232,533,929)
Cash and cash equivalents at beginning of the year	36	182,345,600	414,879,529
Cash and cash equivalents at end of the year	36	724,455,134	182,345,600

The annexed notes 1 to 46 and annexure I form an integral part of these consolidated financial statements.

GM / Chief Executive

Chief Financial Officer

Director

Director / Deputy Chairman

Director / Chairman

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For The Year Ended December 31, 2020

	Share capital	Statutory reserve	Revenue reserve	Surplus / (Deficit) on revaluation		Unappropriated / unremitted profit	Total
				Investments	Fixed / non banking assets		
	Rupees						
Balance as at January 1, 2019	6,600,000,000	1,008,201,270	358,662,940	(192,084,618)	2,030,632,636	3,023,305,662	12,828,717,890
Profit after taxation for the year ended December 31, 2019	–	–	–	–	–	283,199,236	283,199,236
Other comprehensive income - net of tax	–	–	–	402,473,426	14,477,555	1,207,392	418,158,373
Transfer to statutory reserve	-	53,414,456	–	–	–	(53,414,456)	–
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	–	–	–	–	(68,180,794)	68,180,794	–
Transactions with owners, recorded directly in equity							
Final dividend 2018 : Re 0.5 per ordinary share	–	–	–	–	–	(330,000,000)	(330,000,000)
Balance as at December 31, 2019	6,600,000,000	1,061,615,726	358,662,940	210,388,808	1,976,929,397	2,992,478,628	13,200,075,499
Balance as at January 1, 2020	6,600,000,000	1,061,615,726	358,662,940	210,388,808	1,976,929,397	2,992,478,628	13,200,075,499
Profit after taxation for the year ended December 31, 2020	–	–	–	–	–	640,528,065	640,528,065
Other comprehensive (loss) - net of tax	–	–	–	(706,546,758)	–	(1,093,702)	(707,640,460)
Transfer to statutory reserve	-	123,250,040	–	–	–	(123,250,040)	–
Transfer from deficit on revaluation of assets to unappropriated profit - net of tax	–	–	–	–	(65,947,104)	65,947,104	–
Transactions with owners, recorded directly in equity							
Final dividend 2019 : Rs Nil per ordinary share	–	–	–	–	–	–	–
Balance as at December 31, 2020	6,600,000,000	1,184,865,766	358,662,940	(496,157,950)	1,910,982,293	3,574,610,055	13,132,963,104

The annexed notes 1 to 46 and annexure I form an integral part of these consolidated financial statements.

GM / Chief Executive | Chief Financial Officer | Director | Director / Deputy Chairman | Director / Chairman

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended December 31, 2020

1. STATUS AND NATURE OF BUSINESS

Saudi Pak Industrial and Agricultural Investment Company Limited (the Holding Company) was incorporated in Pakistan as a private limited company on December 23, 1981 and subsequently converted to public limited company on April 30, 2008. The Holding Company is jointly sponsored by the Governments of Kingdom of Saudi Arabia and the Islamic Republic of Pakistan. The Holding Company is a Development Financial Institution (DFI) and principally engaged in investment in the industrial and agro-based industrial projects in Pakistan on commercial basis and markets its products in Pakistan and abroad. The Holding Company was initially setup for a period of fifty years and upon mutual consent of the Government of Kingdom of Saudi Arabia (KSA) and Government of Pakistan the duration of Holding Company has been further extended for another period of fifty years.

The registered office of the Holding Company is situated at Saudi Pak Tower, Jinnah Avenue, Islamabad. The Holding Company is also operating offices in Lahore and Karachi

The Group consists of Saudi Pak Industrial and Agricultural Investment Company Limited, (the Holding Company) and its subsidiary company namely Saudi Pak Real Estate Limited (the subsidiary company) and Associate Company namely Saudi Pak Leasing Company Limited (the associate company).

Saudi Pak Real Estate Limited (the subsidiary company)

The subsidiary company was incorporated in Pakistan as an unlisted public limited company on November 14, 2006 under the repealed Companies Ordinance, 1984 (now the Companies Act, 2017). The principal place of business of the subsidiary company is Pakistan. The principal business of the subsidiary company is investment in properties (both for investment and development purposes), property management services, investment in joint ventures and other related services. The registered office of the subsidiary company is situated at Saudi Pak Tower, 61-A, Jinnah Avenue, Islamabad.

Saudi Pak Leasing Company Limited (the associate company)

The Holding Company has 35.06% stake in the shareholding of the associate company. The license of associate company to carry out business of leasing expired on March 18, 2010, and is non-operational. In the prior year, the Group has accounted for the investment in the associate using the equity accounting of investments as per the requirements of IAS-28. However during the currenty year, the Board of Directors of the holding Company approved disposal of investment in Saudi Pak Leasing Company Limited. Consequent to the approval the investment has been classified as held for sale as per the requirements of IFRS 5 'Non-current asset classsified as held for sale and discontinued operations'.

2. BASIS OF PRESENTATION

The SBP vide BPRD circular No. 2 dated 25 January 2018 has issued format of annual financial statements. These consolidated financial statements have been presented in accordance with such revised forms.

2.1 Functional and presentation currency

Items included in the consolidated financial statements are measured using the currency of the primary economic environment in which the Group operates. The consolidated financial statements are presented in Pak. Rupee, which is the Group's functional and presentation currency.

3. STATEMENT OF COMPLIANCE

3.1 These consolidated financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of

– International Financial Reporting Standards (IFRS) issued by the International Accounting Standard Board (IASB) as are notified under the Companies Act, 2017;

– Provisions of and directives issued under the Banking Companies Ordinance, 1962, the Companies Act, 2017; and

– Directives issued by the State Bank of Pakistan (SBP) and the Securities and Exchange Commission of Pakistan (SECP).

Whenever the requirements of the Banking Companies Ordinance, 1962, the Companies Act, 2017 or directives issued by the SBP and SECP differ with the requirements of IFRS, requirements of the Banking Companies Ordinance, 1962, the Companies Act, 2017 and the said directives shall prevail.

3.2 The SECP, through SRO 229(I)/2019 dated February 14, 2019, has notified that IFRS 9, Financial Instruments, is applicable for accounting periods ending on or after June 30, 2019. However, SBP through BPRD Circular No.4 of 2019 dated October 23, 2019 has notified the implementation of IFRS 9 effective from January 1, 2021. Therefore, the requirements of IFRS 9 have not been considered by the Company in preparation of these consolidated financial statements.

4. STANDARDS, INTERPRETATIONS OF AND AMENDMENTS TO PUBLISHED APPROVED ACCOUNTING STANDARDS

a) Standards, interpretations of and amendments to the published accounting and reporting standards that are effective in the current year:

There are certain other new and amended standards, interpretations and amendments that are mandatory for the Group's accounting periods beginning on or after January 1, 2020 but are considered not to be relevant or do not have any significant effect on the Group's operations and are therefore not detailed in these consolidated financial statements.

b) Standards, interpretations of and amendments to published approved accounting standards that are not yet effective

Following standards have been issued by the International Accounting Standards Board (IASB), which is yet to be notified by the Securities and Exchange Commission of Pakistan (SECP) for the purpose of its applicability in Pakistan:

			Effective date (annual reporting periods beginning on or after)
IFRS 1	–	First-Time Adoption of International Financial Reporting Standards (Amendments)	July 1, 2009
IFRS 17	–	Insurance Contracts	January 1, 2021

c) Following standards and amendments to published accounting standards will be effective in future periods and have not been earlier adopted by the Group.

			Effective date (annual reporting periods beginning on or after)
IFRS 16	–	'Leases' - COVID-19 related rent concessions	January 1, 2021
IFRS 9	–	'Financial instruments'	January 1, 2021*
IAS 1	–	'Presentation of financial statements' (amendments)	January 1, 2022
IAS 16	–	'Property, plant and equipment' (amendments)	January 1, 2022
IAS 37	–	'Provisions, contingent liabilities and contingent assets' (amendments)	January 1, 2022
IFRS 3	–	IFRS 3 - 'Business combinations' (amendments)	January 1, 2022

The management anticipates that the adoption of the above standards, amendments and interpretations in future periods will have no material impact on the financial statements other than in presentation / disclosures.

*The SBP vide its BPRD Circular No. 04 dated October 23, 2019 has notified the effective date of IFRS 9, 'Financial instruments' as January 1, 2021. IFRS 9, 'Financial instruments' has replaced IAS 39, 'Financial instruments: recognition and measurement'. The standard addresses recognition, classification, measurement and derecognition of financial assets and financial liabilities. The standard has also introduced a new impairment model for financial assets which requires recognition of impairment charge based on 'Expected Credit Losses' (ECL) approach rather than 'incurred credit losses' approach. The ECL has impact on all the assets of the holding company which are exposed to credit risk. The impact of the application of IFRS 9 in Pakistan on the holding company's financial statements is being assessed and the implementation guidelines are awaited.

There are certain other new and amended standards, interpretations and amendments that are mandatory for the Group's accounting periods beginning on or after January 1, 2021 but are considered not to be relevant or will not have any significant effect on the Group's operations and are therefore not detailed in these consolidated financial statements.

5. BASIS OF MEASUREMENT

These consolidated financial statements have been prepared under the historical cost convention except for:

- certain items of operating fixed assets and non-banking assets acquired in satisfaction of claims which are shown at revalued amounts;
- certain investments which are carried at fair value in accordance with directives of the SBP; and
- staff retirement benefit which is stated at present value of defined benefit obligation net of fair value of plan assets.

Use of critical accounting estimates and judgments

The preparation of consolidated financial statements in conformity with the approved accounting standards as applicable in Pakistan requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the Group's accounting policies. The Group uses estimates and assumptions concerning the future. The resulting accounting estimate will, by definition, seldom equal the related actual results. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to these consolidated financial statements are as follows:

i) Classification of investments (note 6.5)

ii) Provision against investments (note 6.19), advances (note 6.6) and other assets (note 15)

iii) Valuation and impairment of available for sale securities (note 6.5(b))

iv) Valuation and useful life of fixed assets (note 6.8) and non-banking assets acquired in satisfaction of claims (note 6.11)

v) lease term and effective interest rate of lease contracts for lease liabilities and right of use of assets (note 6.9)

vi) Useful life of intangibles (note 6.10)

vii) Taxation (note 6.14)

viii) Present value of staff retirement benefits (note 6.15)

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, except for the changes laid below:

6.1 Basis of consolidation

These consolidated financial statements include the financial statements of the Holding Company, its subsidiary company (the subsidiary company) and its associate company (the associate company) referred to in note 1.

- Subsidiaries are those enterprises in which the Holding Company directly or indirectly controls, beneficially owns or holds more than 50% of the voting securities or otherwise has the power to elect and appoint more than 50% of its directors. The financial statements of the subsidiaries are included in the consolidated financial statements from the date control commences until the date that control ceases.

- When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in consolidated profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

- The assets and liabilities of subsidiary company have been consolidated on a line by line basis and the carrying value of investment held by the Holding Company is eliminated against Holding Company's share in paid up capital of the subsidiary.

- Material intra-group balances and transactions have been eliminated. Non-controlling interests are that part of net results of the operations and of net assets of the subsidiary attributable to interests which are not owned by the Holding Company. Non-controlling interests are presented as separate item in the consolidated financial statements. Losses applicable to non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

- The accounting policies of subsidiary have been changed where necessary to align them with the policies adopted by the Group.

- Associate is the entity in which the Group has significant influence, but not control over the financial and operating policies. Significant influence exists when the Group holds 20% or more of the voting power of another entity unless it can be clearly demonstrated that this is not the case. Investment in associate is initially recognised at cost and subsequently accounted for using the equity method of accounting.

- Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Joint ventures are those entities over whose activities the Group has joint control, where by the Group has right to the net assets of the arrangement, rather than right to its assets and obligations for its liabilities, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions.

- Interests in associates and the joint venture are accounted for using the equity method. They are initially recognized at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the consolidated profit or loss and consolidated comprehensive income of equity accounted investees, until the date on which significant influence or joint control ceases.

6.2 Cash and cash equivalents

Cash and cash equivalents comprise of cash and balances with treasury banks, balances with other banks and call money lendings.

6.3 Non-current asset classified as held for sale

The Group classifies a non-current asset as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. For this to be the case, the asset must be available for sale in its present condition and its sale must be probable. For sale to be probable, the appropriate level of management must be committed to a plan to sell the asset and an active programme to locate a buyer and complete plan must have been initiated. Assets designated as held for sale are carried at lower of carrying amount at designation and fair value less cost to sell, if fair value can reasonably be determined.

6.4 Sale and repurchase agreements

Securities sold under repurchase agreement (repo) are retained in the consolidated financial statements as investments and a liability for consideration received is included in borrowings. Conversely, consideration for securities purchased under resale agreement (reverse repo) are included in lendings to financial institutions. The difference between sale and repurchase / purchase and resale price is recognised as mark-up / return expensed and earned respectively on a time proportion basis as the case may be. Repo and reverse repo balances are reflected under borrowings from and lendings to the financial institutions respectively.

6.5 Investments

Investments are classified as follows:

(a) Held-For-Trading (HFT)

These represent securities acquired with the intention to trade by taking advantage of short-term market / interest rate movements. These are marked to market and surplus / deficit arising on revaluation of 'held for trading' investments is taken to consolidated profit and loss account in accordance with the requirements prescribed by the SBP through various circulars.

(b) Available-For-Sale (AFS)

These represent securities which do not fall under 'held for trading' or 'held to maturity' categories. In accordance with the requirements of the SBP's BSD Circular No. 20 dated August 04, 2000 and BPRD Circular No. 06 dated June 26, 2014, available for sale securities for which ready quotations are available on Reuters Page (PKRV) or Stock Exchanges, are valued at market value and the resulting surplus / deficit on revaluation, net of deferred tax, is taken through "Consolidated Statement of Comprehensive Income" and is shown in the shareholders' equity in the consolidated statement of financial position. Where the decline in prices of available for sale securities is significant or prolonged, it is considered impaired and included in consolidated profit and loss account. Impairment loss on available for sale debt securities is determined in accordance with the requirements of prudential regulations issued by SBP.

Unquoted equity securities are valued at the lower of cost and break-up value. Break-up value of equity securities is calculated with reference to the net assets of the investee companies as per their latest available financial statements.

(c) Held-To-Maturity (HTM)

These represent securities acquired with the intention and ability to hold them upto maturity. These are carried at amortized cost less impairment, if any, in accordance with the requirements prescribed by the SBP through various circulars.

6.6 Advances

Advances are stated net of provision for non-performing advances. Provision for non-performing advances is determined in accordance with the requirements of the Prudential Regulations issued by SBP from time to time.

The provision against non-performing advances is charged to the consolidated profit and loss account. Advances are written off when there is no realistic prospect of recovery.

6.7 Net investment in finance lease

These are stated at present value of minimum lease payments under the agreements. The allowance for potential lease losses is maintained at a level which in the opinion of management, is adequate to provide for potential lease losses on lease portfolio that can be reasonably anticipated. The allowance is increased by the provisions charged to income and decreased by write offs, net of recoveries. The Group maintains provision for potential lease losses in accordance with the Prudential Regulations applicable on the Group.

6.8 Fixed assets

(a) Tangibles assets

Fixed assets are stated at cost less accumulated depreciation and impairment loss, if any, except for freehold land which is stated at cost and lease hold land, buildings and certain other items which are carried at revalued amount less depreciation.

Certain items of fixed assets are revalued by professionally qualified valuers with sufficient regularity to ensure that the net carrying amount does not differ materially from their fair value. Surplus / (deficit) arising on revaluation of fixed assets is credited/ (debited) to the surplus on revaluation of assets account and is shown in the shareholders' equity in the consolidated statement of financial position.

In making estimates of the depreciation, the management uses useful life and residual value which reflects the pattern in which economic benefits are expected to be consumed by the Group. The useful life and the residual value are reviewed at each financial year end and any change in these estimates in future years might effect the carrying amounts of the respective item of operating fixed assets with the corresponding effect on depreciation charge.

Depreciation is provided on straight line method at rates specified in note 13.2 to the consolidated financial statements so as to write off the cost of the assets over their estimated useful lives. Depreciation of an asset begins when it is available for use. Depreciation of an asset ceases at the earlier of the date when the asset is classified as held for sale and the date that the asset is derecognized. Therefore, depreciation does not cease when the asset becomes idle or is retired from active use unless the asset is fully depreciated.

Maintenance and normal repairs are charged to consolidated profit and loss account as and when incurred. Major renewals and improvements are capitalized. Gains and losses on disposal of operating fixed assets are taken to the consolidated profit and loss account.

(b) Capital work in progress

Capital work in progress is stated at cost less accumulated impairment losses, if any, and is transferred to the respective item of operating fixed assets when available for intended use.

6.9 Right-of-Use Asset and Lease Liability

On initial recognition, right-of-use assets are measured at an amount equal to initial lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred. Right to use assets are subsequently stated at cost less any accumulated depreciated/ accumulated impairment losses and are adjusted for any remeasurement of lease liability. The remeasurement of lease liability will only occur in cases where the terms of the lease are changed during the lease tenor. Right-of-use assets are depreciated over their expected useful lives using the straight line method.

6.10 Intangibles

Intangible assets are stated at cost less accumulated amortization and impairment losses, if any. Amortization is charged to consolidated profit and loss account. Amortization is computed from the date of purchase to date of disposal / write off using the straight line method in accordance with the rates specified in note 14 to these consolidated financial statements to write off cost of the assets over their estimated useful life.

6.11 Non banking assets acquired in satisfaction of claims

In accordance with the BPRD Circular No. 1 of 2016 dated January 1, 2016 issued by SBP, the non-banking assets acquired in satisfaction of claims are carried at revalued amounts. Surplus arising on revaluation of such properties is credited to the 'surplus on revaluation of non banking assets' account and any deficit arising on revaluation is taken to profit and loss account directly. Legal fees, transfer costs and direct costs of acquiring title to property is charged to profit and loss account and are not capitalised. These assets are depreciated as per Group's policy.

6.12 Development properties

Development properties include acquisition or development of properties for sale in the ordinary course of business. These are carried in the consolidated statement of financial position at lower of cost and net realizable value. Cost includes all direct costs attributable to the acquisition, design and construction of the properties.

The cost of development properties recognized in consolidated profit and loss account on sale is determined with reference to the specific costs incurred on the property sold and an allocation of any non-specific costs based on the relative size of the property sold. Net realizable value represents the selling price in the ordinary course of business less cost of completion and estimated cost necessarily to be incurred for sale. The management reviews the carrying values of the development properties on an annual basis.

6.13 Deposits

Deposits are recorded at the fair value of proceeds received. Markup accrued on deposits is recognised separately as part of other liabilities and is charged to consolidated profit and loss account on a time proportion basis.

6.14 Taxation

Income tax on the profit and loss for the year comprises current and deferred tax. Income tax is recognised in the consolidated profit and loss account, except to the extent that it relates to items recognised directly in other comprehensive income or in equity, in which case it is recognised in other comprehensive income or in equity.

(a) Current

Provision for current tax is the expected tax payable on the taxable income for the year using tax rates applicable at the date of consolidated statement of financial position. The charge for the current tax also includes adjustments, where considered necessary relating to prior years, arising from assessments made during the year for such years.

(b) Deferred

Deferred tax is provided for by using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amount used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities using tax rates enacted or substantively enacted at the date of consolidated statement of financial position, and applicable at the time of its reversal. A deferred tax asset is recognised only to the extent that it is probable that the future taxable profit will be available and credits can be utilized. Deferred tax assets are reduced to the extent it is no longer probable that the related tax benefit will be realised.

The Group recognizes deferred tax asset/liability on (deficit) / surplus on revaluation of securities and revaluation of operating fixed assets as an adjustment to deficit / surplus on revaluation of securities and revaluation of operating fixed assets.

6.15 Staff retirement benefits

(a) Defined benefit plan

The Group operates an approved gratuity fund for its permanent employees. Contributions to the fund are made on the basis of actuarial recommendations. The actuarial valuation is carried out periodically using "projected unit credit method".

(b) Defined contribution plan

The Group also operates a recognized provident fund for all of its permanent employees. Equal monthly contributions at the rate of 10% of basic salary are made both by the Group and the employees, which are transferred to the provident fund.

(c) Compensated absences

As per its service rules, the Group grants compensated absences to all of its permanent employees. The provision for compensated absences is made on the basis of last drawn basic salary.

6.16 Revenue recognition

- Mark-up / interest on advances and return on investments is recognized on accrual basis except on classified advances and investments which is recognized on receipt basis in compliance with Prudential Regulations issued by the SBP. Fines / penalties on delayed payment are recorded in the consolidated profit and loss account on receipt basis.
- Markup / interest on rescheduled / restructured advances and return on investment is recognized in accordance with the directives of the SBP.
- Fees, commission and brokerage income is recognised at the time of performance of service.
- Dividend income is recognized when the Group's right to receive income is established.
- The Group follows the finance method to recognize income from lease financing. Under this method, the unearned lease income (excess of the sum of total lease rentals and estimated residual value over the cost of the leased assets) is deferred and taken to income over the term of lease period so as to produce a constant periodic rate of return on the outstanding net investment in lease. Gains / losses on termination of lease contracts are recognized as income / expense on realization. Unrealized lease income on classified lease is held in suspense account, where necessary, in accordance with the requirements of SBP guidelines and recognized as income on receipt basis.
- Gains and losses on sale of investments are taken to the consolidated profit and loss account.
- Rental income is recognized on accrual basis.
- Gains and losses on disposal of operating fixed assets are taken to the consolidated profit and loss account.
- Revenue on sale of plots, buildings, houses, bungalows and villas is recognized on accrual basis if all of the following conditions are met:
    - the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
    - the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the properties sold;
    - the amount of revenue, cost incurred or to be incurred in respect of the transaction can be measured reliably; and

- it is probable that the economic benefits associated with the transaction will flow to the Group.

Revenue from sales agreements, where significant risks and rewards are not passed on to the buyer as construction progresses, is recognized when possession is handed over to the buyer and the group does not expect any further economic benefits from such property.

6.17 Foreign currency transactions and translations

Foreign currency transactions are translated into Pak. Rupee at the exchange rates prevailing on the date of transaction. Monetary assets and liabilities in foreign currencies are translated to Pak. Rupee at the exchange rates prevailing at the date of consolidated statement of financial position. Exchange gains and losses are included in consolidated profit and loss account of the Group.

6.18 Impairment

The carrying amount of the Group's assets are reviewed at the date of consolidated statement of financial position to determine whether there is any indication of impairment. If such indications exist, the asset's recoverable amount is estimated in order to determine the extent of the impairment loss, if any. Impairment loss is recognised as expense in the consolidated profit and loss account. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognised.

6.19 Provisions

Provisions are recognised when there are present, legal or constructive obligations as a result of past events and it is probable that an out flow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amounts can be made. Provision for guarantee claims and other off balance sheet obligations is recognized when intimated and reasonable certainty exists to settle the obligations. Expected recoveries are recognized by debiting customer accounts. Charge to consolidated profit and loss account is stated net off expected recoveries.

6.20 Financial instruments

Financial assets and liabilities

Financial assets and financial liabilities are recognized at the time when the Group becomes a party to the contractual provision of the instrument. Financial assets are de-recognized when the contractual right to future cash flows from the asset expires or is transferred along with the risk and reward of the asset. Financial liabilities are de-recognized when obligation specific in the contract is discharged, cancelled or expired. Any gain or loss on de-recognition of the financial asset and liability is recognized in the profit and loss account of the current period. The particular recognition and subsequent measurement methods adopted for significant financial assets and financial liabilities are disclosed in the individual policy statements associated with them.

6.21 Off-setting of financial instruments

Financial assets and financial liabilities are only set-off and net amount is reported in the consolidated financial statements when there is legally enforceable right to set-off the recognized amount and the Group either intends to settle on net basis or to settle the liabilities and realize the assets simultaneously.

6.22 Statutory reserve

Under Circular No. 1 dated December 05, 1991 issued by the State Bank of Pakistan for Non-Banking Financial Institutions, an amount not less than 20% of the profit after tax shall be transferred to create a reserve fund till such time the reserve fund equals the amount of paid up capital of the holding company and thereafter 10% of the balance of profit after tax of the holding company are to be transferred to this reserve.

6.23 Segment Reporting

A segment is a distinguishable component of the Group that is engaged either in providing differentiated products or services (business segment) or in providing products or services within a particular economic environment (geographical segment), subject to risks and rewards that are different from those of other segments. Segment information is presented as per the Group's functional structure and the guidance of SBP. The Group's primary format of reporting is based on business segments. The Group comprises of the following main business segments:

(a) Business Segment

– **Corporate finance**

This includes investment activities such as underwriting, Initial Public Offers (IPOs) and corporate financing.

– **Trading and Sales**

Trading and sales includes the Group's treasury and money market activities.

– **Building Rental Services & Real State**

This segment undertakes the purchase, development and sale of properties, property management services, investment in joint ventures and other related services and also undertakes the rental services of Saudi Pak Tower and its allied activities.

(b) Geographical Segment

The Group conducts all its operations in Pakistan.

		2020 Rupees	2019 Rupees
7. CASH AND BALANCES WITH TREASURY BANKS			
In hand			
Local currency		269,806	230,557
With State Bank of Pakistan in			
Local currency current account	7.1	107,531,818	36,185,064
		107,801,624	36,415,621

7.1 These represent current accounts maintained with the SBP to comply with the statutory cash reserve requirements.

	2020 Rupees	2019 Rupees
8. BALANCES WITH OTHER BANKS		
In Pakistan		
In current accounts	8,363,102	5,999,178
In deposit accounts	608,290,408	139,930,801
	616,653,510	145,929,979

8.1 Deposit accounts include local currency accounts amounting to Rs. 587,227,719 (2019: Rs. 119,615,279) held in local currency accounts. These accounts carry markup at the rates ranging from 3.00% to 9.5% (2019: 3.00% to 12.75%) per annum.

8.2 Deposit accounts include USD 131,426.27 (2019: USD 131,135.31) held in foreign currency accounts. These accounts carry markup at the rate of 0.25% (2019: 0.25%) per annum.

		2020 Rupees	2019 Rupees
9.	**NON-CURRENT ASSET CLASSIFIED AS HELD FOR SALE**		
	Cost of investment reclassified from investments		
	- Investment in shares	243,467,574	–
	- Investment in preference shares	333,208,501	–
	Less: Provision on investment	(576,676,075)	–
		–	–
	Less: Amounts received till 31 December 2020	–	–
		–	–

9.1 The Company's investment in Saudi Pak Leasing Company Limited (the "associate company") has been classified as non-current asset held for sale in accordance with International Financial Reporting Standards 5 "Non-current Assets Held for Sales and Discontinued Operations" and measured at lower of carrying amount at designation and fair value less cost to sell.

			2020 Rupees	2019 Rupees
10.	**LENDINGS TO FINANCIAL INSTITUTIONS**			
	Repurchase agreement lendings (Reverse Repo)	10.1	119,988,000	80,000,000
	Letter based placement		–	–
			119,988,000	80,000,000
	Less: provision held against Lending to Financial Institutions		–	–
	Lending to Financial Institutions - net of provision		119,988,000	80,000,000

10.1 These are secured against Pakistan Investment Bonds (2019: Pakistan Investment Bonds) and carry markup at the rate of 6.40% (2019: 13.05%) per annum having maturity on January 4, 2021 (2019: January 2, 2020).

		2020 Rupees	2019 Rupees
10.2	**Particulars of lending**		
	In local currency	119,988,000	80,000,000

10.3 Securities held as collateral against Lending to financial institutions

		2020			2019		
	Note	Held by the Group	Further given as collateral	Total	Held by the Group	Further given as collateral	Total
			Rupees			Rupees	
Market Treasury Bills	10.3.1	–	–	–	–	–	–
Pakistan Investment Bonds	10.3.1	119,988,000	–	119,988,000	80,000,000	–	80,000,000
Total		119,988,000	–	119,988,000	80,000,000	–	80,000,000

10.3.1 These represent the securities obtained under reverse repo transactions.

10.3.2 Market value of securities held as collateral at December 31, 2020 is Rs. 120 million (2019: Rs. 80 million).

11. INVESTMENTS

11.1 Investments by type:

	Note	2020				2019			
		Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value
		Rupees				Rupees			
Held-for-trading securities									
Quoted shares		53,467,402	–	1,607,097	55,074,499	–	–	–	–
Open end Mutual Fund		21,000,000	–	–	21,000,000	–	–	–	–
Available-for-sale securities									
Federal Government Securities									
-Pakistan Investment Bonds (PIBs)		30,643,940,823	–	(774,654,823)	29,869,286,000	17,354,461,746	–	91,880,254	17,446,342,000
-Market Treasury Bills		–	–	–	–	907,736,468	–	3,808,532	911,545,000
		30,643,940,823	–	(774,654,823)	29,869,286,000	18,262,198,214	–	95,688,786	18,357,887,000
Shares- Quoted securities		2,827,625,073	(760,854,156)	181,945,188	2,248,716,105	2,627,466,026	(704,469,976)	133,678,081	2,056,674,131
Non Government Debt Securities									
-Term Finance Certificates (TFCs) / Sukuk		1,171,612,766	(82,227,345)	8,994,400	1,098,379,821	1,171,612,766	(82,227,345)	3,600,000	1,092,985,421
-Commercial paper		32,784,012	–	–	32,784,012	92,729,028	–	–	92,729,028
Open end Mutual Fund		–	–	–	–	70,794,937	(34,419,937)	14,549,375	50,924,375
Un-quoted securities		786,333,048	(273,833,040)	–	512,500,008	786,333,048	(273,833,040)	–	512,500,008
		35,462,295,722	(1,116,914,541)	(583,715,235)	33,761,665,946	23,011,134,019	(1,094,950,298)	247,516,242	22,163,699,963
Held-to-maturity securities									
Non Government Debt Securities									
-Term Finance Certificates (TFCs)		1,642,610,710	(402,491,710)	–	1,240,119,000	1,642,786,710	(402,491,710)	–	1,240,295,000
-Certificate of Investment (COI) #VALUE!		70,299,358	–	–	70,299,358	12,531,006	–	–	12,531,006
Federal Government Securities									
-Market Treasury Bills		148,655,979	–	–	148,655,979	236,580,402	–	–	236,580,402
Associates									
Saudi Pak Leasing Company Limited									
- Investment in shares	11.1.1	–	–	–	–	243,467,574	(243,467,574)	–	–
- Investment in preference shares		–	–	–	–	333,208,501	(333,208,501)	–	–
		–	–	–	–	576,676,075	(576,676,075)	–	–
Total Investments		37,398,329,171	(1,519,406,251)	(582,108,138)	35,296,814,782	25,479,708,212	(2,074,118,083)	247,516,242	23,653,106,371

11.1.1 During the year, the Board of Directors of the Company approved disposal of the investment in Saudi Pak Leasing Company Limited (SPLCL) incorporated in Pakistan. Consequent to the approval, this investment has been reclassified as Non-current asset classified as held for sale and has been show in the statement of Financial position. Detail of investment is disclosed in note no. 9.

11.2 Investments by segments:

	2020				2019			
	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value
	Rupees				Rupees			
Federal Government Securities:								
Market Treasury Bills	148,655,979	–	–	148,655,979	1,144,316,870	–	3,808,532	1,148,125,402
Pakistan Investment Bonds	30,643,940,823	–	(774,654,823)	29,869,286,000	17,354,461,746	–	91,880,254	17,446,342,000
	30,792,596,802	–	(774,654,823)	30,017,941,979	18,498,778,616	–	95,688,786	18,594,467,402
Shares:								
Listed Companies	2,881,092,475	(760,854,156)	183,552,285	2,303,790,604	2,627,466,026	(704,469,976)	133,678,081	2,056,674,131
Unlisted Companies	786,333,048	(273,833,040)	–	512,500,008	786,333,048	(273,833,040)	–	512,500,008
	3,667,425,523	(1,034,687,196)	183,552,285	2,816,290,612	3,413,799,074	(978,303,016)	133,678,081	2,569,174,139
Non Government Debt Securities								
Listed TFCs / Sukuk	1,870,945,725	(181,560,304)	8,994,400	1,698,379,821	870,945,725	(181,560,304)	–	689,385,421
Unlisted TFCs / Sukuk	943,277,751	(303,158,751)	–	640,119,000	1,943,453,751	(303,158,751)	3,600,000	1,643,895,000
Commercial paper	32,784,012	–	–	32,784,012	92,729,028	–	–	92,729,028
	2,847,007,488	(484,719,055)	8,994,400	2,371,282,833	2,907,128,504	(484,719,055)	3,600,000	2,426,009,449
Other investments								
Mutual funds	21,000,000	–	–	21,000,000	70,794,937	(34,419,937)	14,549,375	50,924,375
Certificate of Investment (COI)	70,299,358	–	–	70,299,358	12,531,006	–	–	12,531,006
	91,299,358	–	–	91,299,358	83,325,943	(34,419,937)	14,549,375	63,455,381
Associates								
Saudi Pak Leasing Company Limited								
- Investment in shares	–	–	–	–	243,467,574	(243,467,574)	–	–
- Investment in preference shares	–	–	–	–	333,208,501	(333,208,501)	–	–
	–	–	–	–	576,676,075	(576,676,075)	–	–
Total Investments	37,398,329,171	(1,519,406,251)	(582,108,138)	35,296,814,782	25,479,708,212	(2,074,118,083)	247,516,242	23,653,106,371

		2020 Rupees	2019 Rupees
11.2.1	**Investments given as collateral**		
	Treasury Bills (T-Bills)	–	–
	Pakistan Investment Bonds (PIBs)	26,592,235,980	15,980,206,280
		26,592,235,980	15,980,206,280
11.3	**Provision for diminution in value of investments**		
11.3.1	Opening balance	2,074,118,083	1,822,939,631
	Charge / reversals		
	Charge for the year	217,298,653	375,917,236
	Reversals for the year	–	(977,225)
	Reversal on disposals	(195,334,410)	(123,761,559)
		21,964,243	251,178,452
	Transfers - net	(576,676,075)	–
	Amounts written off	–	–
	Closing balance	1,519,406,251	2,074,118,083

11.3.2 Particulars of provision against debt securities

	2020		2019	
	NPI	Provision	NPI	Provision
	Rupees		Rupees	
Category of classification				
Domestic				
Substandard	–	–	–	–
Doubtful	–	–	–	–
Loss	535,344,055	484,719,055	535,344,055	484,719,055
	535,344,055	484,719,055	535,344,055	484,719,055
Overseas	–	–	–	–
Total	535,344,055	484,719,055	535,344,055	484,719,055

11.4 Quality of Available for Sale Securities

	2020	2019
	Cost in Rupees	
Details regarding quality of Available for Sale (AFS) securities are as follows		
Federal Government Securities - Government guaranteed		
Market Treasury Bills	–	907,736,468
Pakistan Investment Bonds	30,643,940,823	17,354,461,746
	30,643,940,823	18,262,198,214
Provincial Government Securities - Government guaranteed	–	–
Shares		
Listed Companies		
Cable and Electrical Goods	–	35,043,810
Cement	109,775,900	392,745,274
Chemical	417,127,705	117,127,705
Close - end Mutual Fund	37,745,634	37,745,634
Commercial Banks	649,330,721	320,635,888
Fertilizer	378,106,466	270,478,763
Food and Personal Care Products	35,090,111	35,090,111
Insurance	105,533,362	105,533,369
Oil & Gas Marketing Companies	141,229,459	314,292,707
Oil and Gas Exploration Companies	257,562,725	106,600,086
Power Generation and Distribution	625,325,445	606,188,235
Technology and Communication	33,971,065	33,971,066
Textile Composite	36,826,480	73,652,958
Transport	–	178,360,420
	2,827,625,073	2,627,466,026

	2020		2019	
	Cost	Breakup value	Cost	Breakup value
	Rupees		Rupees	
Unlisted Companies				
Al Hamra Avenue Private Limited	50,000,000	–	50,000,000	–
Alhamra Hills Private Limited	50,000,000	–	50,000,000	–
Ali Paper Board Industries Limited	5,710,000	–	5,710,000	–
Bela Chemical Industries Limited	6,500,000	–	6,500,000	–
Fruit Sap Limited	4,000,000	–	4,000,000	–
Innovative Investment Bank Limited	37,623,048	–	37,623,048	–
ISE Towers - REIT Management Company Limited	2,500,000	45,096,303	2,500,000	42,747,107
Pace Barka Properties Limited	168,750,000	217,609,092	168,750,000	228,094,025
Pak Kuwait Takaful Company	40,000,000	(2,485,549)	40,000,000	(2,485,549)
Pakistan Textile City Limited	50,000,000	5,047,010	50,000,000	5,047,010
Pakistan GasPort Consortium Limited	330,000,000	415,481,552	330,000,000	400,729,546
Saudi Pak Kalabagh Livestock Company Limited	10,000,000	–	10,000,000	–
Taurus Securities Limited	11,250,000	24,102,185	11,250,000	23,635,782
Trust Investment Bank Limited	20,000,000	–	20,000,000	–
	786,333,048	704,850,593	786,333,048	697,767,921

Breakup value has been calculated using latest available audited financial statements, except for the parties for which no breakup value is mentioned above due to non-availability of latest audited financial statements because of litigation or liquidation proceedings.

	2020	2019
	Cost in Rupees	
Open end mutual funds:		
Unlisted companies		
Golden Arrow Stock Fund	–	70,794,937
Non Government Debt Securities		
Listed		
- AA+, AA, AA-	1,060,000,000	660,000,000
- CCC and below	29,385,421	29,385,421
- Unrated	24,970,005	24,970,005
	1,114,355,426	714,355,426
Unlisted		
- AA+, AA, AA-	–	492,729,028
- A+, A, A-	32,784,012	–
- Unrated	57,257,340	57,257,340
	90,041,352	549,986,368
	1,204,396,778	1,264,341,794

11.5 The Company does not have any investments in foreign securities as at December 31, 2020 (2019: Nil).

	Note	2020	2019
		Cost in Rupees	
11.6 Particulars relating to Held to Maturity securities are as follows:			
Federal Government Securities - Government guaranteed			
- Market Treasury Bills		148,655,979	236,580,402
Non Government Debt Securities			
Listed			
- AA+, AA, AA-		600,000,000	–
- Unrated	11.6.1	156,590,299	156,590,299
		756,590,299	156,590,299
Unlisted			
- AA+, AA, AA-		199,800,000	799,880,000
- A+, A, A-		89,874,000	89,910,000
- BBB+, BBB, BBB-		299,820,000	299,880,000
- Unrated		296,526,411	296,526,411
		886,020,411	1,486,196,411
Others			
- Unrated		70,299,358	12,531,006
		1,712,910,068	1,655,317,716

11.6.1 The market value of listed TFCs classified as held-to-maturity as at December 31, 2020 and December 31, 2019 are not available and these are carried at amortised cost.

12. ADVANCES

		2020	2019	2020	2019	2020	2019
		Performing		Non performing		Total	
	Note	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Loans, leases, running finances- gross	12.1	5,450,707,130	6,040,677,879	3,894,704,806	4,069,013,884	9,345,411,936	10,109,691,763
Provision against advances							
- Specific		–	–	(2,533,847,014)	(2,240,160,842)	(2,533,847,014)	(2,240,160,842)
- General		–	–	–	–	–	–
		–	–	(2,533,847,014)	(2,240,160,842)	(2,533,847,014)	(2,240,160,842)
Advances - net of provision		5,450,707,130	6,040,677,879	1,360,857,792	1,828,853,042	6,811,564,922	7,869,530,921

12.1 Includes Net Investment in Finance Lease as disclosed below:

	2020				2019			
	Not later than one year	Later than one and less than five years	Over five years	Total	Not later than one year	Later than one and less than five years	Over five years	Total
	Rupees				Rupees			
Lease rentals receivable	142,105,873	–	–	142,105,873	224,213,212	1,704,796	–	225,918,008
Residual value	–	–	-	–	–	–	–	–
Minimum lease payments	142,105,873	–	–	142,105,873	224,213,212	1,704,796	–	225,918,008
Financial charges for future periods	(50,106,929)	–	–	(50,106,929)	(80,357,123)	(64,406)	–	(80,421,529)
Present value of minimum lease payments	91,998,944	–	–	91,998,944	143,856,089	1,640,390	–	145,496,479

		2020 Rupees	2019 Rupees
12.2	**Particulars of advances (Gross)**		
	In local currency	9,329,495,883	10,093,775,710
	In foreign currencies	15,916,053	15,916,053
		9,345,411,936	10,109,691,763

12.3 Advances include Rs. 3,894,704,806 (2019: Rs. 4,069,013,884) which have been placed under non-performing status as detailed below:-

	2020		2019	
	Non Performing loans	Provision	Non Performing loans	Provision
	Rupees		Rupees	
Category of Classification				
Domestic				
Substandard	–	–	317,313,987	79,328,497
Doubtful	309,470,937	154,735,469	750,000,000	–
Loss	3,585,233,869	2,379,111,545	3,001,699,897	2,160,832,345
	3,894,704,806	2,533,847,014	4,069,013,884	2,240,160,842
Overseas	–	–	–	–
Total	3,894,704,806	2,533,847,014	4,069,013,884	2,240,160,842

12.4 **Particulars of provision against advances**

	Note	2020			2019		
		Specific	General	Total	Specific	General	Total
		Rupees			Rupees		
Opening balance		2,240,160,842	–	2,240,160,842	2,162,852,622	–	2,162,852,622
Charge for the year		465,742,475	–	465,742,475	199,619,330	–	199,619,330
Reversals		(147,422,401)	–	(147,422,401)	(122,311,110)	–	(122,311,110)
		318,320,074	–	318,320,074	77,308,220	–	77,308,220
Amounts written off	12.5	(24,633,902)	–	(24,633,902)	–	–	–
Closing balance		2,533,847,014	–	2,533,847,014	2,240,160,842	–	2,240,160,842

12.4.1 Particulars of provision against advances

	2020			2019		
	Specific	General	Total	Specific	General	Total
		Rupees			Rupees	
In local currency	2,517,930,961	–	2,517,930,961	2,224,244,789	–	2,224,244,789
In foreign currencies	15,916,053	–	15,916,053	15,916,053	–	15,916,053
	2,533,847,014	–	2,533,847,014	2,240,160,842	–	2,240,160,842

12.4.2 The net FSV benefit already availed has been decreaed by Rs. 9.745 million, which has resulted addition in specific provision for the year by the same amount. Had the FSV benefit not changed, before and after tax profit for the year would have been increased by Rs. 9.745 million (2019: lower by Rs. 781.681 million) and Rs. 6.919 million (2019: Rs. lower by 554.994 million) respectively. Further, at December 31, 2020, cumulative net of tax benefit availed for Forced Sale Value (FSV) was Rs. 856.347 million (2019: Rs. 863.266 million) under BSD circular No. 1 of 2011 dated October 21, 2011. Reserves and un-appropriated profit to that extent are not available for distribution by way of cash or stock dividend.

		Note	2020 Rupees	2019 Rupees
12.5	**PARTICULARS OF WRITE OFFs:**			
12.5.1	Against Provisions	12.4	24,633,902	–
	Directly charged to Profit & Loss account		–	–
			24,633,902	–
12.5.2	Write Offs of Rs. 500,000 and above	12.6		
	- Domestic		24,633,902	–
	- Overseas		–	–
	Write Offs of Below Rs. 500,000		–	–
			24,633,902	–

12.6 Details of loan Write off of Rs. 500,000/- And above

In terms of sub-section (3) of Section 33A of the Banking Companies Ordinance, 1962 the statement in respect of written off loans or any other financial relief of Rs. 500,000 or above allowed to a person(s) during the year ended December 31, 2020 is given at Annexure I.

		Note	2020 Rupees	2019 Rupees
13.	**FIXED ASSETS**			
	Capital work-in-progress	13.1	3,366,482	7,059,370
	Property and equipment	13.2	3,147,931,936	3,219,078,911
			3,151,298,418	3,226,138,281
13.1	**Capital work-in-progress**			
	Advances to suppliers		3,366,482	7,059,370
			3,366,482	7,059,370

13.2 Property and Equipment

	2020												
	Free hold land	Leasehold land	Building Karachi office	Other Buildings	Building on leasehold land	Furniture and fixture	Office equipment	Vehicles	Heating and air conditioning	Elevators	Security systems	Electrical fittings, fire fighting equipment and others	Total
	Rupees												
At January 1, 2020													
Cost / Revalued amount	–	1,743,975,000	36,597,000	204,841,000	996,328,224	15,269,565	50,962,212	97,275,268	101,520,389	47,000,000	5,327,507	162,284,043	3,461,380,208
Accumulated depreciation	–	27,729,201	1,463,878	–	39,842,306	12,938,097	41,519,072	62,539,178	14,973,999	7,049,996	810,752	33,434,818	242,301,297
Net book value	–	1,716,245,799	35,133,122	204,841,000	956,485,918	2,331,468	9,443,140	34,736,090	86,546,390	39,950,004	4,516,755	128,849,225	3,219,078,911
Year ended December 31, 2020													
Opening net book value	–	1,716,245,799	35,133,122	204,841,000	956,485,918	2,331,468	9,443,140	34,736,090	86,546,390	39,950,004	4,516,755	128,849,225	3,219,078,911
Additions / revaluation	–	–	–	11,033,000	86,100	141,804	5,492,694	28,497,472	–	1,090,798	–	22,568,613	68,910,481
Disposals													
- Cost / Revalued amount	–	–	–	–	–	(141,827)	(1,787,779)	(17,851,552)	–	–	(1,949)	(1,267,019)	(21,050,126)
- Accumulated depreciation	–	–	–	–	–	141,818	1,665,562	14,745,190	–	–	516	1,267,012	17,820,098
	–	–	–	–	–	(9)	(122,217)	(3,106,362)	–	–	(1,433)	(7)	(3,230,028)
Depreciation charge	–	(27,729,201)	(1,463,878)	–	(39,853,200)	(746,819)	(5,593,670)	(14,851,869)	(15,073,349)	(7,110,842)	(799,016)	(23,605,584)	(136,827,428)
Closing net book value	–	1,688,516,598	33,669,244	215,874,000	916,718,818	1,726,444	9,219,947	45,275,331	71,473,041	33,929,960	3,716,306	127,812,247	3,147,931,936
At December 31, 2020													
Cost / Revalued amount	–	1,743,975,000	36,597,000	215,874,000	996,414,324	15,269,542	54,667,127	107,921,188	101,520,389	48,090,798	5,325,558	183,585,637	3,509,240,563
Accumulated depreciation	–	55,458,402	2,927,756	–	79,695,506	13,543,098	45,447,180	62,645,857	30,047,348	14,160,838	1,609,252	55,773,390	361,308,627
Net book value	–	1,688,516,598	33,669,244	215,874,000	916,718,818	1,726,444	9,219,947	45,275,331	71,473,041	33,929,960	3,716,306	127,812,247	3,147,931,936
Rate of depreciation (percentage)	–	1.50	4	1.14	4	20	33.33	20	15	15	15	15	

	2019												
	Free hold land	Leasehold land	Building Karachi office	Other Buildings	Building on leasehold land	Furniture and fixture	Office equipment	Vehicles	Heating and air conditioning	Elevators	Security systems	Electrical fittings, fire fighting equipment and others	Total
	Rupees												
At January 1, 2019													
Cost / Revalued amount	8,088,120	1,743,975,000	36,597,000	179,408,000	998,328,000	16,319,639	47,033,466	101,416,338	98,724,047	47,000,000	5,522,571	137,902,781	3,420,314,962
Accumulated depreciation	–	–	–	–	–	14,222,291	39,021,294	54,971,231	253,643	–	11,670	15,774,366	124,254,495
Net book value	8,088,120	1,743,975,000	36,597,000	179,408,000	998,328,000	2,097,348	8,012,172	46,445,107	98,470,404	47,000,000	5,510,901	122,128,415	3,296,060,467
Year ended December 31, 2019													
Opening net book value	8,088,120	1,743,975,000	36,597,000	179,408,000	998,328,000	2,097,348	8,012,172	46,445,107	98,470,404	47,000,000	5,510,901	122,128,415	3,296,060,467
Additions / revaluation	–	–	–	25,433,000	596,000	868,654	6,127,069	7,438,388	3,050,000	–	–	28,785,149	72,298,260
Disposals													
- Cost / Revalued amount	(8,088,120)	–	–	–	(2,595,776)	(1,918,728)	(2,198,323)	(11,579,458)	(253,658)	–	(195,064)	(4,403,887)	(31,233,014)
- Accumulated depreciation	–	–	–	–	46,390	1,918,566	2,198,310	9,526,703	253,643	–	13,069	3,905,037	17,861,718
	(8,088,120)	–	–	–	(2,549,386)	(162)	(13)	(2,052,755)	(15)	–	(181,995)	(498,850)	(13,371,296)
Depreciation charge	–	(27,729,201)	(1,463,878)	–	(39,888,696)	(634,372)	(4,696,088)	(17,094,650)	(14,973,999)	(7,049,996)	(812,151)	(21,565,489)	(135,908,520)
Closing net book value	–	1,716,245,799	35,133,122	204,841,000	956,485,918	2,331,468	9,443,140	34,736,090	86,546,390	39,950,004	4,516,755	128,849,225	3,219,078,911
At December 31, 2019													
Cost / Revalued amount	–	1,743,975,000	36,597,000	204,841,000	996,328,224	15,269,565	50,962,212	97,275,268	101,520,389	47,000,000	5,327,507	162,284,043	3,461,380,208
Accumulated depreciation	–	27,729,201	1,463,878	–	39,842,306	12,938,097	41,519,072	62,539,178	14,973,999	7,049,996	810,752	33,434,818	242,301,297
Net book value	–	1,716,245,799	35,133,122	204,841,000	956,485,918	2,331,468	9,443,140	34,736,090	86,546,390	39,950,004	4,516,755	128,849,225	3,219,078,911
Rate of depreciation (percentage)	–	1.50	4	1.14	4	20	33.33	20	15	15	15	15	

13.3 Details of disposal of operating fixed assets

Particular of assets	Cost / revalued amount	Accumulated depreciation	Net book value	Sale proceeds	Mode of disposal	Particulars of buyer
	Rupees					
Furniture and fixture						
Chair Arc Econo Executive	9,802	9,801	1	1,000	Auction	Suleman Khan
Chair Executive	5,175	5,174	1	500	Auction	Suleman Khan
Chair Executive	5,175	5,174	1	500	Auction	Suleman Khan
Chair Executive	5,175	5,174	1	500	Auction	Suleman Khan
Furniture and fixture - SPRE	116,500	116,495	5	5,800	Auction	Tower Tech Systems
	141,827	141,818	9	8,300		
Office equipment						
Laptop - Dell Latitude E3570	106,704	96,201	10,503	42,682	As per policy *	Hina Khalid
Mobile - Samsung A70	67,500	13,467	54,033	54,033	As per policy *	Hina Khalid
Gestetner Multifuntion Mp-2501 Printer	249,912	249,911	1	16,000	Auction	Clover Pakistan Ltd
Gestetner Multifuntion Mp-2501 Printer	249,912	249,911	1	16,000	Auction	Clover Pakistan Ltd
Gestetner Multifuntion Mp-2501 Printer	235,280	235,279	1	16,000	Auction	Clover Pakistan Ltd
Mobile - iPhone	100,000	85,000	15,000	15,000	As per policy *	Sh Aftab Ahmed
Mobile - iPhone	100,000	57,338	42,662	42,662	As per policy *	Fozia Fakhar
Mobile - Huawei Mate 10	67,500	67,499	1	1	As per policy *	Khawar Ashfaq
Mobile - Samsung Note 8	93,000	92,999	1	1	As per policy *	Yawar Khan Afridi
Office equipment - SPRE	438,471	438,458	13	22,000	Auction	Tower Tech Systems
Laptop - Dell Vostro 5460	79,500	79,499	1	10,000	Auction	Tower Tech Systems
	1,787,779	1,665,562	122,217	234,379		
Vehicles						
Suzuki Cultus - CZ-137	1,064,390	1,064,389	1	1	As per policy *	Abdul Nasir
Suzuki Cultus - CZ-130	1,069,390	1,069,389	1	1	As per policy *	Umair Hashim
Suzuki Cultus - CZ-876	1,069,390	1,069,389	1	1	As per policy *	Maqsood Ahmed Sh
Suzuki Cultus - CZ-127	1,069,390	1,069,389	1	1	As per policy *	Gohar Ayub Marth
Suzuki Cultus - CZ-145	1,064,390	1,064,389	1	1	As per policy *	Muhammad Aslam
Suzuki Cultus - DD-685	1,058,800	1,058,799	1	1	As per policy *	Arif Majeed Butt
Honda City - ADX-289	1,856,024	1,004,115	851,909	851,909	As per policy *	Hina Khalid
Toyota Corolla GLI 1.3 - DA-282	1,883,940	1,883,939	1	1,875,000	Auction	Augmentech Business Solutions
Honda CD-70 - AND-861	71,900	71,899	1	27,800	Auction	Rizwan Mazhar
Suzuki Cultus - AED-685	1,407,794	769,335	638,459	638,459	As per policy *	Aurangzeb
Toyota Corolla Altix Grandy 1.8L - BDL-747	2,361,450	2,361,449	1	2,267,841	Auction	Augmentech Business Solutions
Suzuki Cultus - BEJ-544	1,054,100	1,054,099	1	1	As per policy *	Mohammad Farman
Honda Civic i-Vtec Oriel - AKU-978	2,820,594	1,204,610	1,615,984	1,615,984	As per policy *	Fozia Fakhar
	17,851,552	14,745,190	3,106,362	7,277,000		

Particular of assets	Cost / revalued amount	Accumulated depreciation	Net book value	Sale proceeds	Mode of disposal	Particulars of buyer
	Rupees					
Security systems						
Road Blocker	1,949	516	1,433	1,500	Auction	Suleman Khan
Electrical fittings, fire fighting equipment and others						
Leasehold improvement - Islamabad office (Grill)	637,524	637,523	1	7,000	Auction	Suleman Khan
Leasehold improvement - Islamabad office (Grill)	322,263	322,262	1	5,000	Auction	Suleman Khan
Haier Split Ac 2 Ton	81,956	81,955	1	2,000	Auction	Suleman Khan
Ascon Split Ac 2 Ton	100,701	100,700	1	4,000	Auction	Suleman Khan
LG Jet Cool Split Ac 1.5 Ton	41,500	41,499	1	3,000	Auction	Suleman Khan
LG Jet Cool Split Ac 2 Ton	57,675	57,674	1	3,000	Auction	Suleman Khan
Air Curtain 5 Feet	25,400	25,399	1	2,000	Auction	Suleman Khan
	1,267,019	1,267,012	7	26,000		
	21,050,126	17,820,098	3,230,028	7,547,179		

* These items were sold to employees including key management personel in accordance with policy of the Group.

		2020 Rupees	2019 Rupees
13.4	**Cost / revalued amount of fully depreciated assets that are still in use:**		
	Furniture and fixture	10,276,514	10,022,382
	Office equipment	34,594,697	33,724,338
	Vehicles	28,112,562	35,417,150
	Heating and air conditioning	–	–
	Electrical fittings, fire fighting equipment and others	7,673,966	7,632,689
		80,657,739	86,796,559

		2020 Computer Software Rupees	2019 Computer Software Rupees
14.	**INTANGIBLE ASSETS**		
	At January 1		
	Cost	23,843,863	18,444,707
	Accumulated amortisation and impairment	15,355,788	12,682,396
	Net book value	8,488,075	5,762,311
	Year ended December 31		
	Opening net book value	8,488,075	5,762,311
	Additions - directly purchased	2,887,640	5,399,156
	Disposals		
	- Cost	–	–
	- Accumulated depreciation	–	–
		–	–
	Amortisation charge	4,146,275	2,673,392
	Closing net book value	7,229,440	8,488,075
	At December 31		
	Cost 26,731,503	23,843,863	
	Accumulated amortisation and impairment	19,502,063	15,355,788
	Net book value	7,229,440	8,488,075
	Rate of amortisation (percentage)	33.33	33.33
	Useful life (years)	3	3

14.1 Cost of fully amortized intangible assets still in use amount to Rs. 11,805,299 (2019: Rs. 11,578,851).

		Note	2020 Rupees	2019 Rupees
15.	**OTHER ASSETS**			
	Income/ Mark-up accrued in local currency - net of provision			
	On investments		998,046,764	955,893,071
	On advances		108,403,187	149,289,077
	On lending to financial institutions		21,039	28,603
	On saving bank accounts		6,782	17,688
			1,106,477,772	1,105,228,439
	Advances, deposits, advance rent and other prepayments		43,395,381	104,594,860
	Advance taxation (payments less provisions)		718,350,996	498,187,817
	Excise duty		78,817,895	78,817,895
	Non-banking assets acquired in satisfaction of claims	15.1	139,309,214	142,373,909
	Dividend receivable		21,022,808	57,122,548
	Other receivables		2,508,909	6,085,984
			2,109,882,975	1,992,411,452
	Less: Provision held against other assets	15.2	(256,792)	(256,792)
	Other Assets (Net of Provision)		2,109,626,183	1,992,154,660
	Surplus on revaluation of non-banking assets acquired in satisfaction of claims		23,920,343	24,442,663
	Other Assets - total		2,133,546,526	2,016,597,323

15.1	Market value of Non-banking assets acquired in satisfaction of claims	169,677,403	169,677,403

The non banking asset acquired from DJM AR Securities represents land located in Gadap Town, Karachi and was initially recorded in the financial statement in July 2009. This asset was last revalued by independent professional valuer M/s Surval in December 2019 at Rs. 98 million.

The non banking asset acquired from Irfan Textile represents office area on 1st floor of Famous Mall, Lahore and was initially recorded in the financial statement in June 2007. This asset was last revalued by independent professional valuers M/s Amir Evaluators & Consultants in November 2018 at Rs. 71.5 million.

		2020 Rupees	2019 Rupees
15.1.1	**Non-banking assets acquired in satisfaction of claims**		
	Opening Balance	166,816,572	155,199,848
	Revaluation	–	14,477,555
	Depreciation	(3,587,015)	(2,860,831)
	Closing Balance	163,229,557	166,816,572

15.1.2 During the year, there was no disposal against non banking asset acquired in satisfaction of claim.

			2020 Rupees	2019 Rupees
15.2	**Provision held against other assets**			
	Advances, deposits, advance rent & other prepayments	15.2.1	256,792	256,792

		Note	2020 Rupees	2019 Rupees
15.2.1	**Movement in provision held against other assets**			
	Opening balance		256,792	4,075,062
	Charge for the year		–	–
	Reversals / transfer		–	(3,818,270)
	Amount written off		–	–
	Closing balance		256,792	256,792
16	**DEVELOPMENT PROPERTIES**			
	Balance at beginning of the year		246,626,663	213,625,822
	Additions during the year		–	48,464,530
	Cost of plots / house sold during the year		(48,416,500)	(15,463,689)
	Balance at end of the year		198,210,163	246,626,663
	Breakup of the closing balance of development properties is as follows:			
	- Plots in Royal Residencia Scheme, Lahore		198,210,163	198,210,163
	- Plots in Sector E-12		–	48,416,500
			198,210,163	246,626,663
17	**BORROWINGS**			
	Holding Company - In Pakistan			
	Secured			
	Borrowings from State Bank of Pakistan under refinance scheme			
	Long term financing facility (LTFF)	17.1	872,306,098	736,913,986
	Repurchase agreement borrowings	17.2	26,476,540,000	15,855,438,740
	Against book debts/receivables	17.3	4,970,833,336	6,166,666,668
			32,319,679,434	22,759,019,394
	Subsidiary company - In Pakistan	17.4	–	25,000,000
	Total secured		32,319,679,434	22,784,019,394
	Total unsecured		–	–
			32,319,679,434	22,784,019,394

17.1 These represent facilities obtained against State Bank of Pakistan refinance schemes under LTFF. The mark up is charged at the rate of 2.00% (2019: 2.00%) per annum. These facilities will mature during January 2021 to December 2028 (2019: January 2020 to October 2028).

17.2 These facilities were secured against government securities (PIBs). These carry markup at rates ranging from 7.20% to 7.30% (2019: 13.32% to 13.65%) per annum having maturity during January 2021 (2019: January 2020 and February 2020).

17.3 These represent facilities obtained against charge on book debts/receivables valuing Rs. 12,000 million (2019: Rs. 10,667 million). The mark up is charged at varying rates ranging from 7.48% to 7.64% (2019: 13.71% to 14.38%) per annum. These facilities will mature during January 2021 to April 2025 (2019: January 2020 to March 2024).

17.4 This represents term finance facility obtained in May 2017 for a period of three years from Pak Oman Investment Company Limited to meet the operating and expansion requirements of the subsidiary company. The facility was repayable in eight quarterly installments starting from August 2018 after a grace period of one year. The facility expired on May 10, 2020 and carried annual markup at the rate of three month KIBOR + 2% payable quarterly. The facility was secured by way of hypothecation charge on present and future furniture, fixtures, fittings, equipments, investment properties and all present and future current assets of the Group .

	Note	2020 Rupees	2019 Rupees
17.5 Particulars of borrowings with r espect to currencies			
In local currency		32,319,679,434	22,784,019,394
In foreign currencies		–	–
		32,319,679,434	22,784,019,394
18. DEPOSITS AND OTHER ACCOUNTS			
Customers			
- Term deposits (local currency)		2,445,800,000	510,000,000
18.1 Composition of deposits			
- Public Sector Entities	18.2	2,435,800,000	500,000,000
- Non-Banking Financial Institutions	18.3	10,000,000	10,000,000
		2,445,800,000	510,000,000

18.2 These represent Certificate of Investments (COIs) issued to Port Qasim Authority & National Fertilizer Corporation of Pakistan for Rs. 2,435.80 million (2019: Rs. 500 million). These COIs carry mark up at the rates ranging from 7.00% to 7.51% (2019: 13.66%) per annum and is repayable during January 2021 to June 2021 (2019: February 2020).

18.3 These represent Certificate of Investments (COIs) issued to Saudi Pak Employees Contributory Provident Fund for Rs. 10 million (2019: Rs. 10 million). These COIs carry mark up at the rate of 7.30% (2019: 13.93%) per annum and is repayable in March 2021 (2019: March 2020).

18.4 All deposits are in local currency.

19. DEFERRED TAX LIABILITIES

	Note	At January 1, 2020	Recognised in P&L A/C	Recognised in Equity	Recognised in OCI	At December 31, 2020
		2020				
		Rupees				
Deductible Temporary Differences on						
Actuarial loss on defined benefit plan		(4,714,957)	10,900	–	(383,828)	(5,087,885)
Unused tax losses		(5,559,913)	(2,953,258)	–	–	(8,513,171)
Surplus on revaluation of securities- AFS		37,127,436	–	–	(124,684,721)	(87,557,285)
Provision on non-performing loans		(507,787,000)	(85,169,000)	–	–	(592,956,000)
Impairment loss on available for sale quoted securities		(88,542,914)	(3,396,344)	–	–	(91,939,258)
Lease Liability		(3,360,285)	1,805,758	–	–	(1,554,527)
		(572,837,633)	(89,701,944)	–	(125,068,549)	(787,608,126)
Taxable Temporary Differences on						
Accelerated tax depreciation		22,826,856	(1,105,892)	–	–	21,720,964
Dividend receivable		8,568,382	(3,312,680)	–	–	5,255,702
Net investment in leases		32,770,878	(14,100,820)	–	–	18,670,058
Surplus on revaluation of securities - HFT		-	241,065	–	–	241,065
Surplus on revaluation of operating fixed assets		797,494,580	(26,722,800)	–	–	770,771,780
Short term investment - COI		16,568	662,531	–	–	679,099
Right of use asset		3,345,405	(1,909,313)	–	–	1,436,092
		865,022,669	(46,247,909)	–	–	818,774,760
Excess deferred tax asset of the subsidiary company not recognized	19.1	7,281,013	1,849,628	–	–	9,130,641
		299,466,049	(134,100,225)	–	(125,068,549)	40,297,275

	Note	At January 1, 2019	Recognised in P&L A/C	Recognised in Equity	Recognised in OCI	At December 31, 2019
		2019				
		Rupees				
Deductible Temporary Differences on						
Actuarial loss on defined benefit plan		(5,140,409)	165,763	–	259,689	(4,714,957)
Alternative corporate tax in excess of corporate tax		(175,430)	175,430	–	–	–
Unused tax losses		(7,002,960)	1,443,047	–	–	(5,559,913)
Surplus on revaluation of securities- AFS		(33,796,890)	–	–	70,924,326	37,127,436
Provision on non-performing loans		(518,330,000)	10,543,000	–	–	(507,787,000)
Impairment loss on available for sale quoted securities		(55,490,390)	(33,052,524)	–	–	(88,542,914)
Lease Liability		–	(3,360,285)	–	–	(3,360,285)
		(619,936,079)	(24,085,569)	–	71,184,015	(572,837,633)
Taxable Temporary Differences on						
Accelerated tax depreciation		23,209,081	(382,225)	–	–	22,826,856
Dividend receivable		3,123,776	5,444,606	–	–	8,568,382
Net investment in leases		32,325,334	445,544	–	–	32,770,878
Surplus on revaluation of operating fixed assets		825,173,482	(27,678,902)	–	–	797,494,580
Short term investment - COI		–	16,568	–	–	16,568
Right of use asset		–	3,345,405	–	–	3,345,405
		883,831,673	(18,809,004)	–	–	865,022,669
Excess deferred tax asset of the subsidiary company not recognized	19.1	8,465,432	(1,184,419)	–	–	7,281,013
		272,361,026	(44,078,992)	–	71,184,015	299,466,049

19.1 Deferred tax asset to the extent of Rs. 9,130,641 (2019: Rs. 7,281,013) related to the subsidiary company has not been recognized by its management in view of uncertainty related to taxable profits in foreseeable future.

	Note	2020 Rupees	2019 Rupees
20. OTHER LIABILITIES			
Mark-up / Return / Interest payable in local currency		281,881,028	270,162,151
Accrued expenses		36,123,327	36,184,758
Advance rental income	20.1	127,746,916	126,985,751
Security deposit against rented properties		28,414,282	29,067,162
Payable to defined benefit plan	38	8,313,559	6,176,797
Provision for compensated absences		9,139,651	8,416,337
Directors' remuneration		4,647,610	5,267,290
Payable to stock brokers - net		341,946	529,004
Others		7,759,253	6,483,042
		504,367,572	489,272,292

20.1 This represents rent received in advance for premises let out in the Saudi Pak Tower, Jinnah Avenue, Blue Area, Islamabad.

21. SHARE CAPITAL

21.1 Authorized Capital

2020 Number of Share	2019 Number of Share		2020 Rupees	2019 Rupees
1,000,000,000	1,000,000,000	Ordinary shares of Rs. 10 each	10,000,000,000	10,000,000,000

21.2 Issued, subscribed and paid up share capital

2020 Number of Share	2019 Number of Share		2020 Rupees	2019 Rupees
		Ordinary shares		
400,000,000	400,000,000	Fully paid in cash	4,000,000,000	4,000,000,000
260,000,000	260,000,000	Issued as bonus shares	2,600,000,000	2,600,000,000
660,000,000	660,000,000		6,600,000,000	6,600,000,000

21.3 State Bank of Pakistan on behalf of the Government of Pakistan and Ministry of Finance, KSA on behalf of Government of Kingdom of Saudi Arabia are equal shareholders of the Group.

		Note	2020 Rupees	2019 Rupees
22.	**SURPLUS ON REVALUATION OF ASSETS**			
	Surplus / (deficit) on revaluation of:			
	- Available for sale securities	11.1	(583,715,235)	247,516,244
	- Fixed assets	22.1	2,657,833,730	2,749,981,314
	- Non-banking assets acquired in satisfaction of claims	22.2	23,920,343	24,442,663
			2,098,038,838	3,021,940,221
	Deferred tax on surplus / (deficit) on revaluation of:			
	- Available for sale securities		87,557,285	(37,127,436)
	- Fixed assets	22.1	(770,771,780)	(797,494,580)
	- Non-banking assets acquired in satisfaction of claims		–	–
			(683,214,495)	(834,622,016)
			1,414,824,343	2,187,318,205
22.1	**Surplus on revaluation of fixed assets**			
	Surplus on revaluation of fixed assets as at January 1		2,749,981,314	2,845,425,798
	Recognised during the year		–	–
	Realised on disposal during the year - net of deferred tax		–	(2,281,810)
	Related deferred tax liability on surplus realised on disposal		–	(932,007)
	Transferred to unappropriated profit in respect of incremental depreciation charged during the year - net of deferred tax		(65,424,784)	(65,483,772)
	Related deferred tax liability on incremental depreciation charged during the year		(26,722,800)	(26,746,895)
	Surplus on revaluation of fixed assets as at December 31		2,657,833,730	2,749,981,314
	Less: related deferred tax liability on:			
	- revaluation as at January 1		797,494,580	825,173,482
	- revaluation recognised during the year		–	–
	- surplus realised on disposal during the year		–	(932,007)
	- impact of change in tax rate		–	–
	- incremental depreciation charged during the year		(26,722,800)	(26,746,895)
			770,771,780	797,494,580
			1,887,061,950	1,952,486,734
22.2	**Surplus on revaluation of non-banking assets acquired in satisfaction of claims**			
	Surplus on revaluation as at January 01		24,442,663	10,380,320
	Recognised during the year		–	14,477,555
	Incremental depreciation		(522,320)	(415,212)
	Surplus on revaluation as at December 31		23,920,343	24,442,663

		Note	2020 Rupees	2019 Rupees
23.	**CONTINGENCIES AND COMMITMENTS**			
	-Guarantees	23.1	502,224,393	176,670,000
	-Commitments	23.2	2,091,293,614	2,294,368,827
			2,593,518,007	2,471,038,827
23.1	**Guarantees:**			
	Financial guarantees		502,224,393	176,670,000
23.2	**Commitments:**			
	Commitment for the acquisition of:			
	- Operating fixed assets		2,964,301	5,384,107
	- Intangible assets		2,329,313	2,984,720
			5,293,614	8,368,827
	Non disbursed commitment for term and working capital finance		2,086,000,000	2,286,000,000
			2,091,293,614	2,294,368,827

23.3 Other contingent liabilities

23.3.1 Tax contingencies- Holding Company

i) The Appellate Tribunal Inland Revenue Islamabad did not accept the Holding Company's contention on certain matters in the appeals relating to tax years 2004 to 2006, 2008 to 2010 and 2012 to 2014. The issues under consideration include disallowance of provision of non performing loans and apportionment of expenses between income subject to final tax regime and normal tax regime. The Holding Company has filed tax references before the Islamabad High Court. The references for the years 2004 to 2006 and 2008 to 2010 have been admitted for hearing whereas the references for tax years 2012 to 2014 are at pre-admission stage. All the references are yet to be disposed by the Islamabad High Court.

The related total tax demands for all the aforesaid tax years aggregates to Rs 1,165.87 million out of which Rs 761.35 million has been paid by / recovered from the Company.

ii) For tax years 2015 and 2017 proceedings under section 122(5A) of the Income Tax Ordinance 2001 (the Ordinance) were intiated and demands for amount of Rs 520 million and Rs 416 million were respectively created for the aforesaid years. The Holding Company preferred appeals in the aforesaid cases before Commissioner Inland Revenue - Appeals [CIR(A)] who in terms of separate appellate orders remanded majority of the matters to the assessing officer and on certain matters upheld the actions of assessing officer. The Holding Company has preferred separate appeals before ATIR for aforesaid cases which are pending adjudication.

iii) For the tax year 2016, the assessing officer amended the company's assessment under section 122(5A) of the Ordinance and created a demand of Rs 143.354 million by making various add backs and disallowances.The Holding Company preferred appeal before CIR(A). The CIR(A) partially accepted holding company's contention on matters raised in appeal but on various matters either upheld contention of assessing officer or remanded back the matters for due consideration. The holding company has filed appeal before AppellateTribunal Inland Revenue (ATIR) which is pending adjudication.

iv) For tax year 2018, Additional Commissioner Inland Revenue (ACIR) amended the holding company's assessment under section 122(5A) of the Ordinance and created a demand of Rs 383.82 million by making various add backs and disallowances. The holding company filed an appeal in this respect before the Commissioner Inland Revenue-Appeals CIR(A) who remanded majority issues and also upheld the actions of ACIR on certain issues. The holding company has filed an appeal before AppellateTribunal Inland Revenue (ATIR) which is pending for adjudication.

For tax years 2015 to 2017 proceedings under section 161 were initiated and cummulative demand of Rs 276 million was created on account of alleged default in withholding of tax. The holding company preferred appeal before the Commissioner- Appeals CIR(A) who remanded back certain issues and upheld certain matters. The holding company has preferred further appeal in this respect before Appellate Tribunal Inland Revenue (ATIR), which is pending for adjudication.

The management of the holding company, based on the opinion of its legal counsels, believes that the above mentioned matters are most likely to be decided in favour of the holding company at superior appellate forums and further charge is not required to be recognised and carried in these matters in the financial statements.

23.3.2 Tax contingencies- the subsidiary company

The subsidiary company was selected for tax audit under section 177 of the Income Tax Ordinance 2001 for the tax year 2014 and a tax demand of Rs 4,787,629 was raised. According to the subsidiary's tax advisors, the subsidiary's appeal in this respect has been heard for order by the Commissioner Inland Revenue (Appeals) and favorable outcome is expected. In the meanwhile an amount of Rs 2,000,000 was deposited into the government treasury to avoid any coercive measure by the tax authorities and same is carried as tax refundable.

23.3.3 Other contingencies - Holding Company

(a) MACPAC Films Limited (Suit No.B-24/2014 of Rs. 1,040.623 million)

Macpac Films Limited Karachi ("Customer") availed a Term Finance of Rs.125 million in 2003/04 and then defaulted. In 2011, a settlement package was approved by Saudi Pak which contained waiver/write-off of Rs. 72.66 million on a/c of Markup and Liquidated Damages subject to payment of Rs.100.14 million. The Customer accepted and paid Rs.100.14 million. The write off/waiver was reported to the Credit Information Bureau of the State Bank of Pakistan (SBP) in compliance with regulatory requirements. Customer requested the Holding Company and SBP to remove its name from CIB as it was allegedly reflecting bad on its business. Neither SBP nor the Holding Company agreed however, the Customer filed the subject suit in 2014 in the Sindh High Court, Karachi which is being contested on merits. On the Court's direction, SBP has also filed comments endorsing regulatory compliance by the Holding Company. So far, the Customer could not yet complete its evidence. Mr. Maqbool Elahi, CEO of the customer died on 14 May 2020, whereof evidence on its behalf will now be recorded by the new CEO, Mr. Najamul Hassan, whose Affidavit in evidence was also filed. The Holding Company is confident that there is no substance in the present suit and that it will be dismissed after due process of law.

(b) Zafar Sultan Paracha vs. Saudi Pak, Federation of Pakistan, DHA, Mukhtiarkar Gadap Town, Karachi (Suit No.1065/2014 of Rs.200.00 million)

On April 27, 2014, the Holding Company invited bids for the sale of four properties i.e. farm house at Gadap Town and three plots (DHA Plots No.9-C, 17-C, 20-C) at Karachi. Highest bid of Rs.134.50 million offered by Mr. Mudassir for only three plots at DHA was accepted, down payment was received and sale agreement dated June 2, 2014 was executed between the Holding Company and the highest bidder through his nominee. Mr. Zafar Sultan Paracha had offered a lower bid of Rs. 93.00 million against all the four properties therefore rejected. He filed the subject suit in the Sindh High Court, Karachi and obtained an interim stay on July 5, 2014 restraining transfer of the above mentioned plots.

The Holding Company contested and got the stay vacated through Court as a result, three plots at DHA were transferred to the buyer after receipt of balance sale consideration. Mr. Piracha then filed an Appeal in the Court against the Stay Vacation Order which is also contested by the Holding Company, separately. While vacating the stay order, the learned Judge of the Sindh High Court had observed that remaining suit to the extent of damages claimed against alleged loss of business opportunity etc, will separately be heard and decided. The Holding Company filed its reply in the Court with a prayer to dismiss this suit. The Holding Company is confident that there is no substance in this suit and will be dismissed per Holding Company's contention after due process of law.

(c) Kohinoor Spinning Mills Limited and its Guarantors vs. Saudi Pak (Suite No.258676/2018 of Rs.600 million)

The Customer had availed Term Finance Facility (TFF) of Rs. 400 million from the Company in 2014 but defaulted after part payments whereof the Holding Company filed a recovery suit of Rs.396.085 million against the Customer and its directors/guarantors in the Lahore High Court, Lahore in which proceedings still continue. In 2018, the Customer has filed a Damages Suit of Rs. 600 million against the Holding Company in the same court. The Customer alleged that TFF of Rs. 400 million approved by the Holding Company was not disbursed to the Customer and that due to non-disbursement of the approved TFF, the Customer suffered business losses of Rs. 200 million. Its reply was filed by the Holding Company. Case is at evidence stage. Customer has filed Affidavits in evidence of its witnesses and case is fixed for cross examination of customer's witnesses on 19 Jan 2021. The Holding Company's evidence will be recorded after completion of customer's evidence. The Holding Company believes that the suit of the Customer is a counter move to the Holding Company's initiated litigation and further reply to this has been filed by the Holding Company in the Court. The management believes there is no substance in this suit and will be dismissed on merits after due process of law.

24. Derivative products

Presently, the Holding Company or the subsidiary company does not deal in derivative products.

	Note	2020 Rupees	2019 Rupees
25. MARK-UP / RETURN / INTEREST EARNED			
On loans and advances		708,767,311	883,559,946
On investments		3,031,039,530	1,404,802,690
On lendings to financial institutions		11,753,210	44,238,145
On balances with banks		6,739,789	13,515,020
		3,758,299,840	2,346,115,801
26. MARK-UP / RETURN / INTEREST EXPENSED			
Deposits	26.1	128,608,109	40,350,914
Borrowings			
Securities purchased under repurchase agreements		1,774,852,243	754,623,298
Other short term borrowings		328,951,849	152,267,191
Long term finance for export oriented projects from SBP		16,364,944	12,867,318
Long term borrowings		476,899,776	592,421,069
		2,597,068,812	1,512,178,876
Brokerage fee		12,664,782	5,016,727
		2,738,341,703	1,557,546,517

26.1 The markup expensed amounting to Rs. 1,133,499 (2019: Rs. 1,011,781) relates to Saudi Pak Employees Contributory Fund.

		Note	2020 Rupees	2019 Rupees
27.	**FEE & COMMISSION INCOME**			
	Credit related fees		551,724	14,100,812
	Commission on trade		2,500,000	–
	Commission on guarantees		–	598,982
	Others		–	–
			3,051,724	14,699,794
28.	**GAIN / (LOSS) ON SECURITIES**			
	Realised	28.1	221,795,363	21,578,967
	Unrealised - held for trading	11.1	1,607,097	–
			223,402,460	21,578,967
28.1	**Realised gain on:**			
	Federal Government Securities		79,638,252	38,440,661
	Mutual funds		(1,962,812)	578,000
	Shares- listed		144,119,923	(17,439,694)
			221,795,363	21,578,967
29.	**OTHER INCOME**			
	Rent on property - net	29.1	212,037,818	185,458,998
	Gain / (loss) on sale of fixed assets - net		4,317,151	11,614,892
	Gain on sale of non banking assets - net		–	–
	Others		22,125,752	17,009,911
			238,480,721	214,083,801
29.1	**Rent on property - net**			
	Rental income		409,600,405	375,410,702
	Less: Property expense			
	Salaries, allowances and employee benefits		26,585,061	27,606,476
	Traveling and conveyance		10,808	2,000
	Medical		455,637	521,100
	Janitorial services		10,812,610	10,759,290
	Security services		21,938,390	20,426,942
	Insurance		2,204,515	2,221,985
	Postage, telegraph, telegram and telephone		111,921	42,534
	Printing and stationery		19,832	82,965
	Utilities		17,492,325	18,633,199
	Consultancy and professional charges		760,000	283,960
	Repairs and maintenance		13,022,248	10,230,550
	Rent, rates and taxes		4,228,899	1,314,513
	Depreciation		99,095,290	97,289,655
	Staff training		–	–
	Office general expenses		825,051	536,535
			197,562,587	189,951,704
			212,037,818	185,458,998

		Note	2020 Rupees	2019 Rupees
30.	**OPERATING EXPENSES**			
	Total compensation expense	30.1	261,815,727	248,602,049
	Property expense			
	Rent & taxes		750,280	5,408,599
	Insurance		314,930	317,427
	Utilities cost		15,844,509	11,653,187
	Security (including guards)		4,352,852	4,188,200
	Repair & maintenance (including janitorial charges)		3,404,980	2,998,548
	Depreciation		14,156,470	13,898,522
			38,824,021	38,464,483
	Information technology expenses			
	Software maintenance		5,861,208	4,989,476
	Hardware maintenance		1,487,590	1,996,244
	Amortisation		4,146,275	2,673,392
	Network charges		3,039,656	3,672,184
			14,534,729	13,331,296
	Other operating expenses			
	Shareholder's fees		4,647,610	5,267,290
	Directors' fees and allowances		18,393,314	21,805,988
	Legal & professional charges		7,318,640	7,859,020
	Consultancy, custodial and rating services		9,641,393	7,389,334
	Outsourced services costs		35,045,751	31,981,827
	Travelling & conveyance		10,653,586	23,463,774
	Depreciation		27,162,684	27,581,173
	Training & development		2,090,237	3,163,613
	Postage & courier charges		673,768	919,125
	Communication		3,743,838	3,951,580
	Stationery & printing		5,341,122	5,821,685
	Marketing, advertisement & publicity		3,400,272	1,956,360
	Donations		1,000,000	1,000,000
	Auditors remuneration	30.2	4,482,157	8,525,780
	Repair & maintenance		4,963,269	5,543,850
	Insurance		2,342,445	2,542,781
	Office and general expenses		12,678,144	11,008,114
	Bank charges		282,027	491,343
			153,860,257	170,272,637
			469,034,734	470,670,465

		Note	2020 Rupees	2019 Rupees
30.1	**Total compensation expense**			
	Fees and Allowances etc.		–	–
	Managerial Remuneration			
	i) Fixed		122,077,502	113,466,809
	ii) Variable			
	of which;			
	a) Cash Bonus / Awards etc.		18,000,000	18,247,600
	b) Bonus & Awards in Shares etc.		–	–
	Charge for defined benefit plan		7,718,259	8,042,621
	Contribution to defined contribution Plan		9,356,454	8,410,101
	Compensated absences		3,575,270	3,113,287
	Leave fare assistance		4,474,640	6,049,355
	Exgratia		7,360,524	6,559,500
	Rent & house maintenance		47,134,748	43,608,916
	Utilities		9,724,660	8,861,828
	Medical		13,705,745	15,320,716
	Conveyance		14,808,645	14,677,063
	Others		3,879,280	2,244,253
	Sub-total		261,815,727	248,602,049
	Sign-on Bonus		–	–
	Severance Allowance		–	–
	Grand Total		261,815,727	248,602,049
30.2	**Auditors' remuneration**			
	Audit fee		1,700,000	1,500,000
	Half yearly review		750,000	750,000
	Fee for other statutory certifications		200,000	200,000
	Out-of-pocket expenses		175,000	175,000
			2,825,000	2,625,000
	Fee for other certifications		293,630	50,000
	Special certifications		–	2,204,000
	Tax services		1,363,527	3,646,780
			4,482,157	8,525,780
31	**OTHER CHARGES**			
	Penalties imposed by State Bank of Pakistan		–	2,353,000
	Penalties imposed by other regulatory bodies		–	–
			–	2,353,000
32	**PROVISIONS & WRITE OFFS - NET**			
	Provisions for diminution in value of investments - net	11.3.1	21,964,243	251,178,452
	Provisions / (reversals) against loans & advances - net	12.4	318,320,074	77,308,220
			340,284,317	328,486,672

		Note	2020 Rupees	2019 Rupees
33	**TAXATION**			
	Current tax			
	Current year		325,867,829	197,004,258
	Prior year		3,955,781	(12,601,404)
			329,823,610	184,402,854
	Deferred tax			
	Current year		(134,100,225)	(44,078,992)
	Prior year		–	–
			(134,100,225)	(44,078,992)
		33.1	195,723,385	140,323,862
33.1	**Relationship between tax expense and accounting profit**			
	Accounting profit for the year		836,251,450	423,523,098
	Tax rate		29%	29%
	Tax on accounting profit		242,512,920	122,821,698
	Tax effect on income subject to lower rate of taxation		(42,485,255)	(34,236,499)
	Tax effect of prior years		3,955,781	(12,601,404)
	Impact of super tax for prior year		–	–
	Reversal of deferred tax asset for prior year		–	–
	Minimum tax of subsidiary company		3,174,930	2,495,726
	Permanent differences			
	on reversal of provision against investment		2,973,287	75,680,078
	expenses not claimable against rental income		(2,222,073)	(2,866,409)
	Others		(12,186,205)	(10,969,328)
			195,723,385	140,323,862
34	**BASIC EARNINGS PER SHARE**			
	Profit for the year - Rupees		640,528,065	283,199,236
	Weighted average number of ordinary shares		660,000,000	660,000,000
	Basic earnings per share - Rupee		0.970	0.429
35	**DILUTED EARNINGS PER SHARE**			
	There was no dilutive instrument, hence basic & diluted earnings are same.			
36	**CASH AND CASH EQUIVALENTS**			
	Cash and Balance with treasury banks		107,801,624	36,415,621
	Balance with other banks		616,653,510	145,929,979
			724,455,134	182,345,600

		2020 (Number)	2019 (Number)
37	**STAFF STRENGTH**		
	Permanent	78	80
	On Group's contract	5	5
	Group's own staff strength at the end of the year	83	85

37.1 In addition to the above, 92 (2019: 91) employees of outsourcing services companies were assigned to the Group as at the end of the year to perform services other than security and janitorial services. No employee was working abroad.

38 DEFINED BENEFIT PLAN

38.1 General description

The benefits under the gratuity fund are payable in lump sum on retirement at the age of 60 years or earlier cessation of service, subject to minimum service period of three years. The benefit is equal to month's last drawn basic salary for each completed year of eligible service and on pro-rata basis for the incomplete year. The latest actuarial valuation of defined benefit plan was conducted at December 31, 2020 using the projected unit credit method. Detail of the defined benefit plan are:

38.2 Number of Employees under the scheme

The number of employees covered under the following defined benefit plan are:

	2020 (Number)	2019 (Number)
- Gratuity fund	79	81

38.3 Principal actuarial assumptions

The actuarial valuations were carried out as at December 31, 2020 using the following significant assumptions:

	2020	2019
Discount rate	9.75% per annum	11.25% per annum
Expected rate of salary increase - (the Holding Company)	7.75% per annum	9.25% per annum
Expected rate of salary increase - (the subsidiary company)	10.00% per annum	10.26% per annum
Mortality rates	SLIC (2001-05)-1	SLIC (2001-05)-1
Rates of employee turnover	Moderate	Moderate

		2020 Rupees	2019 Rupees
38.4	**Reconciliation of (receivable from) / payable to defined benefit plans**		
	Present value of obligations	67,900,973	57,109,080
	Fair value of plan assets	(59,587,414)	(50,932,283)
	Net liability payable	8,313,559	6,176,797
38.5	**Movement in defined benefit obligations**		
	Obligations at the beginning of the year	57,109,080	49,991,223
	Current service cost	7,100,642	6,834,004
	Interest cost	6,508,841	6,626,674
	Benefits paid by the group	(3,513,477)	(4,116,944)
	Re-measurement loss	695,887	(2,225,877)
	Obligations at the end of the year	67,900,973	57,109,080

		Note	2020 Rupees	2019 Rupees
38.6	**Movement in fair value of plan assets**			
	Fair value at the beginning of the year		50,932,283	40,206,933
	Interest income on plan assets		5,891,224	5,418,057
	Contributions by employer - net		7,059,027	10,183,034
	Actual amount paid by the Fund to the group		(3,513,477)	(4,116,944)
	Re-measurements: Net return on plan assets over interest income - (loss) / gain	38.8.2	(781,643)	(758,797)
	Fair value at the end of the year		59,587,414	50,932,283
38.7	**Movement in (receivable) / payable under defined benefit schemes**			
	Opening balance		6,176,797	9,784,290
	Charge for the year		7,718,259	8,042,621
	Benefits paid to outgoing members		(3,513,477)	(4,116,944)
	Contribution by the group - net		(7,059,027)	(10,183,034)
	Re-measurement loss / (gain) recognised in OCI during the year	38.8.2	1,477,530	(1,467,080)
	Amount paid by the Fund to the group		3,513,477	4,116,944
	Closing balance		8,313,559	6,176,797
38.8	**Charge for defined benefit plans**			
38.8.1	**Cost recognised in profit and loss**			
	Current service cost		7,100,642	6,834,004
	Net interest on defined benefit asset / liability		617,617	1,208,617
			7,718,259	8,042,621
38.8.2	**Re-measurement loss/ (gain) recognised in OCI during the year**			
	Loss / (gain) on obligation			
	- Demographic assumptions		–	–
	- Financial assumptions		(546,737)	(605,359)
	- Experience adjustments		1,242,624	(1,620,518)
	Total actuarial loss on obligation		695,887	(2,225,877)
	Return on plan assets over interest income - (loss) / gain		781,643	758,797
	Total re-measurements recognised in OCI		1,477,530	(1,467,080)

		2020 Rupees	2019 Rupees
38.9	**Components of plan assets**		
	Cash and cash equivalents - net	5,530,192	266,061
	Term deposit receipts / Certificate of Investment	48,344,681	45,974,850
	Investment in mutual funds	1,089,382	1,010,322
	Deposit with banks	4,623,159	3,681,050
		59,587,414	50,932,283

38.9.1 There is no significant risk associated with the plan assets, as it consists of fixed interest rate bearing TDR's and saving accounts with financial institutions having satisfactory credit ratings.

38.10 Sensitivity analysis

Sensitivity analysis is performed by changing only one assumption at a time while keeping the other assumptions constant. Sensitivity analysis of key assumptions is given below.

	2020 Rupees	2019 Rupees
Discount rate +0.5%	63,281,944	51,238,759
Discount rate -0.5%	66,984,850	54,015,987
Long term salary increase +0.5%	67,163,901	54,159,682
Long term salary increase -0.5%	63,096,099	51,091,444

		2021 Rupees
38.11	**Expected contributions to be paid to the funds in the next financial year**	9,525,577
38.12	**Expected charge / (reversal) for next financial year**	
	Current service cost	8,747,637
	Net interest on defined benefit asset / liability	777,940
		9,525,577

		2020 Rupees	2019 Rupees
38.13	**Maturity profile**		
	Distribution of timing of benefit payments (years)		
	- 1	10,785,892	6,499,784
	- 2	29,288,897	26,918,708
	- 3	4,683,735	7,541,953
	- 4	7,390,543	4,592,306
	- 5	9,669,289	7,011,445
	- 6-10	59,243,103	67,052,373
	Weighted average duration of the PBO (years)	5.33	5.27

38.14 Funding Policy

An implicit, though not formally expressed objective is that the liabilities under the scheme in respect of members in service on the valuation date on a going concern basis and having regard to projected future salary increases, should be covered by the Fund on the valuation date, the total book reserve as of the valuation date, future contributions to the Fund, future additions to the book reserve and future projected investment income of the Fund.

38.15 Significant risk associated with the staff retirement benefit schemes

Asset volatility	The risk of the investment underperforming and not being sufficient to meet the liabilities.
Changes in bond yields	Not applicable as underling interest rate on bonds is fixed.
Inflation risk	The investment and bank balances may loose its value due to the increase of general inflation rate.
Life expectancy / Withdrawal rate	The risk that the actual mortality experience is different. The effect depends on the beneficiaries' service/age distribution and the benefit.
Withdrawal rate	The risk of higher or lower withdrawal experience than assumed. The final effect could go either way depending on the beneficiaries' service/age distribution and the benefit.

39. DEFINED CONTRIBUTION PLAN

The Group operates a recognized provident fund scheme for all its regular employees for which equal monthly contributions are made both by the Group and by the employees to the Fund at the rate of 10% of basic salary of the employee. Payments are made to the employees as specified in the rules of the Fund. As per latest available financial statements of the Fund, total assets of the Fund as at December 31, 2020 were Rs. 119,674,528 (2019: Rs. 101,958,696).

40. COMPENSATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL

40.1 Total Compensation Expense

	2020					
	Directors					
Items	Chairman	Executive (other than CEO)	Non Executive	GM / CEO	Key Management personnel	Other Material Risk Takers/ Controllers
	Rupees					
Fees and Allowances etc.	1,903,375	–	16,489,939	450,000	–	–
Managerial Remuneration						
i) Fixed	–	–	–	23,880,000	47,465,771	–
ii) Total Variable	–	–	–	–	–	–
of which						
a) Cash Bonus / Awards	–	–	–	6,000,000	5,500,000	–
b) Bonus & Awards in Shares	–	–	–	–	–	–
Charge for defined benefit plan	–	–	–	3,069,902	3,321,545	–
Contribution to defined contribution plan	–	–	–	2,178,000	2,749,316	–
Compensated absences	–	–	–	–	1,433,128	–
Leave fare assistance	–	–	–	1,815,000	2,659,640	–
Exgratia	–	–	–	2,015,000	2,289,033	–
Rent & house maintenance	–	–	–	7,560,000	14,074,011	–
Utilities	–	–	–	3,058,088	2,416,414	–
Medical	–	–	–	408,000	5,004,240	–
Conveyance	–	–	–	3,487,424	5,292,968	–
Others *	–	–	–	1,200,000	1,200,000	–
Total	1,903,375	–	16,489,939	55,121,414	93,406,066	–
Number of Persons	1	0	5	2	18	0

In addition to above, the GM / CEO of the Holding Company and certain other key management personnel are provided with company maintained vehicles in accordance with their terms of employment.

For the purposes of the foregoing, the term "Key Management Personnel" as per BPRD Circular No. 2 dated January 25, 2018 means the following functional responsibilities:

(a) Any executive or key executive, acting as second to GM, by whatever name called, and including the Chief Operating Officer (COO) and Deputy Managing Director.

(b) Any executive or key executive reporting directly to the GM / Chief Executive or the person mentioned in (a) above.

	2019					
	Directors					
Items	Chairman	Executive (other than CEO)	Non Executive	GM / CEO	Key Management personnel	Other Material Risk Takers/ Controllers
	Rupees					
Fees and Allowances etc.	3,763,112	–	18,042,876	500,000	–	–
Managerial Remuneration`						
i) Fixed	–	–	–	23,901,774	41,973,295	–
ii) Total Variable	–	–	–	–	–	–
of which						
a) Cash Bonus / Awards	–	–	–	5,000,000	4,775,000	–
b) Bonus & Awards in Shares	–	–	–	–	–	–
Charge for defined benefit plan	–	–	–	3,736,003	2,638,978	–
Contribution to defined contribution plan	–	–	–	1,980,000	2,607,363	–
Compensated absences	–	–	–	–	1,119,425	–
Leave fare assistance	–	–	–	3,150,000	2,899,355	–
Exgratia	–	–	–	1,850,000	2,027,486	–
Rent & house maintenance	–	–	–	7,560,000	13,478,880	–
Utilities	–	–	–	2,853,675	2,246,480	–
Medical	–	–	–	591,755	4,968,852	–
Conveyance	–	–	–	3,513,572	5,750,172	–
Others	–	–	–	–	1,555,512	–
Total	3,763,112	–	18,042,876	54,636,779	86,040,798	–
Number of Persons	2	0	8	2	17	0

40.2 Remuneration paid to Directors for participation in Board and Committee Meetings

Sr. No.	Name of Directors	2020					
		Meeting Fees and Allowances Paid					
			For Board Committees				
		For Board meetings	Audit committee	Risk management committee	Human Resource committee	Selection & recruitment committee	Total amount paid
		Rupees					
1	Sultan Mohammed Hasan Abdulrauf	1,503,375	–	–	400,000	–	1,903,375
2	Majid Misfer J.Alghamdi	1,343,375	794,063	600,000	400,000	–	3,137,438
3	Ghanem Alghanem	800,000	400,000	600,000	–	–	1,800,000
4	Zafar Hasan	2,388,125	–	750,000	500,000	–	3,638,125
5	Qumar Sarwar Abbasi	2,388,125	944,063	750,000	–	–	4,082,188
6	Mohammad Tanvir Butt	2,388,125	944,063	–	500,000	–	3,832,188
	Total Amount Paid	10,811,125	3,082,189	2,700,000	1,800,000	–	18,393,314

In addition to the above, boarding / lodging expenses of the Directors' for meetings are borne by the Group and are included in travelling expenses under other operating expenses.

Sr. No.	Name of Directors	2019					
		Meeting Fees and Allowances Paid					
			For Board Committees				
		For Board meetings	Audit committee	Risk management committee	Human Resource committee	Selection & recruitment committee	Total amount paid
		Rupees					
1	Mohammed W. Al-Harby	1,544,550	–	–	179,062	–	1,723,612
2	Mohammed Al-Jarbou	1,544,550	477,625	289,000	–	–	2,311,175
3	Musaad A. Al Fakhri	1,544,550	477,625	-	179,063	–	2,201,238
4	Sultan Mohammed Hasan Abdulrauf	1,649,375	–	–	390,125	–	2,039,500
5	Majid Misfer J.Alghamdi	1,649,375	394,312	195,375	390,125	–	2,629,187
6	Rayyan Bin Mohammed Nagadi	557,025	198,938	–	–	–	755,963
7	Shujat Ali	491,750	175,625	–	–	–	667,375
8	Zafar Hasan	2,264,750	–	376,000	569,188	–	3,209,938
9	Qumar Sarwar Abbasi	2,440,375	758,688	195,375	–	–	3,394,438
10	Mohammad Tanvir Butt	2,089,125	394,312	–	390,125	–	2,873,562
	Total Amount Paid	15,775,425	2,877,125	1,055,750	2,097,688	–	21,805,988

In addition to the above, boarding/ lodging expenses of the Directors' for meetings are borne by the Group and are included in travelling expenses under other operating expenses.

41. FAIR VALUE MEASUREMENTS

The fair value of traded investments is based on quoted market prices, except for securities classified by the Group as 'held to maturity'. Securities classified as held to maturity are carried at amortized cost. Fair value of unquoted equity investments is determined on the basis of break up value of these investments as per the latest available audited financial statements. Further, financial statements of several unquoted equity investments are not available whether due to liquidation or litigation, hence, breakup value of these investments can not be determined.

Fair value of unquoted debt securities, fixed term loans, other assets, other liabilities and fixed term deposits cannot be calculated with sufficient reliability due to the absence of current and active market for such assets and liabilities and reliable data regarding market rates for similar instruments. The provision for impairment of loans and advances has been calculated in accordance with the Group's accounting policy as stated in note 6.6.

Fair value of remaining financial assets and liabilities except fixed term loans, staff loans, non-performing advances and fixed term deposits is not significantly different from the carrying amounts since assets and liabilities are either short term in nature or are frequently repriced in the case of customer loans and deposits.

41.1 Fair value of financial assets

The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: Fair value measurements using quoted prices (unadjusted) in active markets (Pakistan Stock Exchange) for identical assets or liabilities.

Level 2: Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the assets or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) available at MUFAP, Reuters page, redemption prices determined by valuers on the panel of Pakistan Bank's Association .

Level 3: Fair value measurements using input for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

The table below analyses the financial and non-financial assets carried at fair values, by valuation methods. Valuation of investments is carried out as per guidelines specified by the SBP. In case of non-financial assets, the Group has adopted revaluation model (as per IAS 16) in respect of leasehold land, building, certain other fixed assets and non-banking assets acquired in satisfaction of claims.

	2020			
	Level 1	Level 2	Level 3	Total
		Rupees		
On balance sheet financial instruments				
Financial assets - measured at fair value				
Investments				
Federal Government Securities	–	29,869,286,000	–	29,869,286,000
Shares	2,303,790,604	–	–	2,303,790,604
Open end Mutual Fund	–	21,000,000	–	21,000,000
Non-Government Debt Securities	–	1,131,163,833	–	1,131,163,833
Financial assets - disclosed but not measured at fair value Investments				
Investments				
Non-Government Debt Securities	–	–	1,240,119,000	1,240,119,000
Unquoted Securities	–	–	512,500,008	512,500,008
Federal Government Securities	–	–	148,655,979	148,655,979
Open end Mutual Fund	–	–	–	–
Certificate of Investment	–	–	70,299,358	70,299,358
Off-balance sheet financial instruments - measured at fair value	–	–	–	–

	2019			
	Level 1	Level 2	Level 3	Total
		Rupees		
On balance sheet financial instruments				
Financial assets - measured at fair value				
Investments				
Federal Government Securities	–	18,357,887,000	–	18,357,887,000
Shares	2,056,674,131	–	–	2,056,674,131
Open end Mutual Fund	–	50,924,375	–	50,924,375
Non-Government Debt Securities	–	1,185,714,449	–	1,185,714,449
Financial assets - disclosed but not measured at fair value				
Investments				
Non-Government Debt Securities	–	–	1,240,295,000	1,240,295,000
Unquoted Securities	–	–	512,500,008	512,500,008
Federal Government Securities	–	–	236,580,402	236,580,402
Certificate of Investment	–	–	12,531,006	12,531,006
Off-balance sheet financial instruments - measured at fair value	–	–	–	–

Valuation techniques used in determination of fair valuation of financial instruments within level 2 and level 3

Items	Valuation approach and input used
Federal Government securities	The fair values of Federal Government securities are determined on the basis of PKRV rates / prices sourced from Mutual Funds Association of Pakistan (MUFAP) and these securities are classified under level 2.
Debentures and corporate debt instruments	Market rates of these securities are not available on MUFAP as at December 31, 2020, therefore, these securities are classified level 3.
Unquoted Investment	There are no observable inputs in respect of fair market valuation of unquoted investment, hence these securities are valued at lower of cost or breakup value. These securities are classified under level 3.

41.2 The Group's policy is to recognise transfers into and out of the different fair value hierarchy levels at the date the event or change in circumstances that caused such transfer. There were no transfers between levels 1 and 2 during the year.

41.3 Fair value of non-financial assets

41.4 The property and equipment of the Holding Company were recently revalued by independent professional valuer as at December 31, 2018. The revaluation was carried out by M/s Impulse (Pvt) Limited on the basis of professional assessment of present market values.

The non banking assets acquired from DJM AR Securities were last revalued by independent professional valuer in December 2019. The revaluation was carried out by M/s Surval on the basis of professional assessment of recent market values. The non banking assets acquired from Irfan Textile were last revalued by independent professional valuer in November 2018. The revaluation was carried out by M/s Amir Evaluators and consultants on the basis of professional assessment of recent market values.

	2020			
	Level 1	Level 2	Level 3	Total
		Rupees		
Non-financial assets				
Operating fixed assets				
Property and equipment (lease hold land, building & others)	–	–	3,086,097,977	3,086,097,977
Other assets				
Non banking assets acquired in satisfaction of claims	–	–	163,229,557	163,229,557

	2019			
	Level 1	Level 2	Level 3	Total
		Rupees		
Non-financial assets				
Operating fixed assets				
Property and equipment (lease hold land, building & others)	–	–	3,165,941,848	3,165,941,848
Other assets				
Non banking assets acquired in satisfaction of claims	–	–	166,816,572	166,816,572

Valuation techniques used in determination of fair valuation of financial instruments within level 2 and level 3

Items	Valuation approach and input used
Operating fixed assets and non-banking assets acquired in satisfaction of claims	Land, buildings and other fixed assets and non-banking assets acquired in satisfaction of claims are revalued on a periodic basis using professional valuers. The valuation is based on their assessment of the market value of the assets. The effect of changes in the unobservable inputs used in the valuations cannot be determined with certainty, accordingly a qualitative disclosure of sensitivity has not been presented in these consolidated financial statements.

42. SEGMENT INFORMATION

42.1 Segment details with respect to business activities

	2020			
	Corporate finance	Trading and sales	Building rental services	Total
	Rupees			
Profit & Loss				
Net mark-up / return / profit	286,409,448	709,179,157	24,369,532	1,019,958,137
Non mark-up / return / interest income	551,724	390,859,289	234,201,351	625,612,364
Total Income	286,961,172	1,100,038,446	258,570,883	1,645,570,501
Segment direct expenses	91,217,777	349,674,699	28,142,258	469,034,734
Total expenses	91,217,777	349,674,699	28,142,258	469,034,734
Provisions	318,320,074	21,964,243	–	340,284,317
Profit before tax	(122,576,679)	728,399,504	230,428,625	836,251,450
Balance Sheet				
Cash & Bank balances	–	665,001,033	59,454,101	724,455,134
Investments	1,240,119,000	33,816,740,445	239,955,337	35,296,814,782
Lendings to financial institutions	–	119,988,000	–	119,988,000
Advances - performing	5,450,132,635	–	574,495	5,450,707,130
- non-performing net of provision	1,360,857,792	–	–	1,360,857,792
Others	425,387,014	1,926,056,360	3,138,841,173	5,490,284,547
Total Assets	8,476,496,441	36,527,785,838	3,438,825,106	48,443,107,385
Borrowings	7,485,055,191	24,834,624,243	–	32,319,679,434
Deposits & other accounts	566,433,464	1,879,366,536	–	2,445,800,000
Others	(489,364,283)	111,697,656	922,331,474	544,664,847
Total liabilities	7,562,124,372	26,825,688,435	922,331,474	35,310,144,281
Equity	–	–	–	13,132,963,104
Total Equity & liabilities	7,562,124,372	26,825,688,435	922,331,474	48,443,107,385
Contingencies & Commitments	2,590,507,027	835,791	2,175,189	2,593,518,007

	2019			
	Corporate finance	Trading and sales	Building rental services	Total
	Rupees			
Profit & Loss				
Net mark-up / return / profit	382,937,491	380,346,746	25,285,047	788,569,284
Non mark-up / return / interest income	14,699,794	219,296,229	202,467,928	436,463,951
Total Income	397,637,285	599,642,975	227,752,975	1,225,033,235
Segment direct expenses	176,559,577	266,254,483	30,209,405	473,023,465
Total expenses	176,559,577	266,254,483	30,209,405	473,023,465
Provisions / (Reversals)	93,205,995	235,280,677	–	328,486,672
Profit before tax	127,871,713	98,107,815	197,543,570	423,523,098
Balance Sheet				
Cash & Bank balances	–	162,445,383	19,900,217	182,345,600
Investments	1,240,295,000	22,163,699,963	249,111,408	23,653,106,371
Lendings to financial institutions	–	80,000,000	–	80,000,000
Advances - performing	6,040,351,497	–	326,382	6,040,677,879
- non-performing	1,828,853,042	–	—	1,828,853,042
Others	599,835,455	1,626,422,399	3,271,592,488	5,497,850,342
Total Assets	9,709,334,994	24,032,567,745	3,540,930,495	37,282,833,234
Borrowings	7,436,075,190	15,322,944,204	25,000,000	22,784,019,394
Deposits & other accounts	166,632,766	343,367,234	–	510,000,000
Others	(360,835,061)	194,102,425	955,470,978	788,738,342
Total liabilities	7,241,872,895	15,860,413,863	980,470,978	24,082,757,736
Equity	–	–	–	13,200,075,499
Total Equity & liabilities	7,241,872,895	15,860,413,863	980,470,978	37,282,833,235
Contingencies & Commitments	2,462,785,980	2,842,579	5,410,268	2,471,038,827

42.2 Segment details with respect to geographical locations

GEOGRAPHICAL SEGMENT ANALYSIS

	2020		
	In Pakistan	Outside Pakistan	Total
		Rupees	
Profit & Loss			
Net mark-up / return / profit	1,019,958,137	–	1,019,958,137
Inter segment revenue - net	–	–	–
Non mark-up / return / interest income	625,612,364	–	625,612,364
Total Income	1,645,570,501	–	1,645,570,501
Segment direct expenses	469,034,734	–	469,034,734
Inter segment expense allocation	–	–	–
Total expenses	469,034,734	–	469,034,734
Provisions	340,284,317	–	340,284,317
Profit before tax	836,251,450	–	836,251,450
Balance Sheet			
Cash & Bank balances	724,455,134	–	724,455,134
Investments	35,296,814,782	–	35,296,814,782
Net inter segment lendings	–	–	–
Lendings to financial institutions	119,988,000	–	119,988,000
Advances - performing	5,450,707,130	–	5,450,707,130
- non-performing net of provision	1,360,857,792	–	1,360,857,792
Others	5,490,284,547	–	5,490,284,547
Total Assets	48,443,107,385	–	48,443,107,385
Borrowings	32,319,679,434	–	32,319,679,434
Deposits & other accounts	2,445,800,000	–	2,445,800,000
Net inter segment borrowing	–	–	–
Others	544,664,847	–	544,664,847
Total liabilities	35,310,144,281	–	35,310,144,281
Equity	13,132,963,104	–	13,132,963,104
Total Equity & liabilities	48,443,107,385	–	48,443,107,385
Contingencies & Commitments	2,593,518,007	–	2,593,518,007

	2019		
	In Pakistan	Outside Pakistan	Total
		Rupees	
Profit & Loss			
Net mark-up / return / profit	788,569,284	–	788,569,284
Inter segment revenue - net	–	–	–
Non mark-up / return / interest income	436,463,951	–	436,463,951
Total Income	1,225,033,235	–	1,225,033,235
Segment direct expenses	473,023,465	–	473,023,465
Inter segment expense allocation	–	–	–
Total expenses	473,023,465	–	473,023,465
Provisions	328,486,672	–	328,486,672
Profit before tax	423,523,098	–	423,523,098
Balance Sheet			
Cash & Bank balances	182,345,600	–	182,345,600
Investments	23,653,106,371	–	23,653,106,371
Net inter segment lendings	–	–	–
Lendings to financial institutions	80,000,000	–	80,000,000
Advances - performing	6,040,677,879	–	6,040,677,879
- non-performing	1,828,853,042	–	1,828,853,042
Others	5,497,850,342	–	5,497,850,342
Total Assets	37,282,833,234	–	37,282,833,234
Borrowings	22,784,019,394	–	22,784,019,394
Deposits & other accounts	510,000,000	–	510,000,000
Net inter segment borrowing	–	–	–
Others	788,738,341	–	788,738,341
Total liabilities	24,082,757,735	–	24,082,757,735
Equity	13,200,075,499	–	13,200,075,499
Total Equity & liabilities	37,282,833,234	–	37,282,833,234
Contingencies & Commitments	2,471,038,827	–	2,471,038,827

43 RELATED PARTY TRANSACTIONS

The Government of Kingdom of Saudi Arabia and the Government of Islamic Republic of Pakistan each own 50% shares of the Group. Therefore, all entities owned by and controlled by these Governments are related parties of the Group. Other related parties comprise of entities over which the Group has control (subsidiaries), entities over which the directors are able to exercise significant influence (associated undertakings), entities with common directors, major shareholders, directors, key management personnel and employees' funds. The Group in normal course of business pays for electricity, gas and telephone to entities controlled by Government of Pakistan. The Group has not extended any financing facilities to entities owned by the Governments of Kingdom of Saudi Arabia and the Islamic Republic of Pakistan.

Transactions which are made under the terms of employment with related parties mainly comprise of loans and advances, deposits etc.

Advances for the house building, conveyance and personal use have also been provided to staff and executives in accordance with the employment and pay policy. Facility of group life insurance and hospitalisation is also provided to staff and executives. In addition to this, majority of the executives of the Group have been provided with company maintained car.

Details of transactions with related parties during the year, other than those which have been disclosed elsewhere in these financial statements are as follows:

	2020				
	Directors	Key management personnel	Subsidiaries	Associates	Other related parties
			Rupees		
Non-current asset classified as held for sale					
Opening balance	–	–	–	–	–
Addition during the year	–	–	–	–	–
Repaid during the year	–	–	–	–	–
Transfer in / (out) - net	–	–	–	576,676,075	–
Closing balance	–	–	–	576,676,075	–
Provision for Non-current asset classified as held for sale	–	–	–	576,676,075	–
Investments					
Opening balance	–	–	–	576,676,075	–
Investment made during the year	–	–	–	–	–
Investment redeemed / disposed off during the year	–	–	–	–	–
Transfer in / (out) - net	–	–	–	(576,676,075)	–
Closing balance	–	–	–	–	–
Provision for diminution in value of investments	–	–	–	–	–
Advances					
Opening balance	–	21,788,773	–	–	–
Addition during the year	–	13,225,034	–	–	–
Repaid during the year	–	(12,698,983)	–	–	–
Transfer in / (out) - net	–	–	–	–	–
Closing balance	–	22,314,824	–	–	–
Provision held against advances	–	–	–	–	–
Deposits and other accounts					
Opening balance	–	–	–	–	10,000,000
Received during the year	–	–	–	–	20,000,000
Withdrawn during the year	–	–	–	–	(20,000,000)
Transfer in / (out) - net	–	–	–	–	–
Closing balance	–	–	–	–	10,000,000
Other Liabilities					
Interest / mark-up payable	–	–	–	–	210,000
Payable to defined benefit plan	–	–	–	–	8,313,559
Income					
Mark-up / return / interest earned	–	764,927	–	–	–
Rental income	–	–	–	–	–
Expense					
Mark-up / return / interest expensed	–	–	–	–	1,133,499
Contribution to employees' funds	–	–	–	–	9,656,348
Directors' fees and allowances	18,393,314	–	–	–	–
Shareholders' fees	–	–	–	–	4,647,610
Operating expenses	–	148,527,480	–	347,793	–

	2019				
	Directors	Key management personnel	Subsidiaries	Associates	Other related parties
			Rupees		
Non-current asset classified as held for sale					
Opening balance	–	–	–	–	–
Addition during the year	–	–	–	–	–
Repaid during the year	–	–	–	–	–
Transfer in / (out) - net	–	–	–	–	–
Closing balance	–	–	–	–	–
Provision for Non-current asset classified as held for sale	–	–	–	–	–
Investments					
Opening balance	–	–	–	576,676,075	–
Investment made during the year	–	–	–	–	–
Investment redeemed / disposed off during the year	–	–	–	–	–
Transfer in / (out) - net	–	–	–	–	–
Closing balance	–	–	–	576,676,075	–
Provision for diminution in value of investments	–	–	–	576,676,075	–
Advances					
Opening balance	–	26,296,411	–	–	–
Addition during the year	–	2,165,000	–	–	–
Repaid during the year	–	(6,672,638)	–	–	–
Transfer in / (out) - net	–	–	–	–	–
Closing balance	–	21,788,773	–	–	–
Provision held against advances	–	–	–	–	–
Deposits and other accounts					
Opening balance	–	–	–	–	7,500,000
Received during the year	–	–	–	–	25,000,000
Withdrawn during the year	–	–	–	–	(22,500,000)
Transfer in / (out) - net	–	–	–	–	–
Closing balance	–	–	–	–	10,000,000
Other Liabilities					
Interest / mark-up payable	–	–	–	–	400,726
Payable to defined benefit plan	–	–	–	–	6,176,797
Income					
Mark-up / return / interest earned	–	1,003,426	–	–	–
Rental income	–	–	–	–	–
Expense					
Mark-up / return / interest expensed	–	–	–	–	1,011,781
Contribution to employees' funds	–	–	–	–	8,786,595
Directors' fees and allowances	21,805,988	–	–	–	–
Shareholders' fees	–	–	–	–	5,267,290
Operating expenses	–	140,677,577	–	329,512	–

		2020 Rs '000'	2019 Rs '000'
44.	**CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS**		
	Minimum Capital Requirement (MCR):		
	Paid-up capital (net of losses)	6,600,000	6,600,000
	Capital Adequacy Ratio (CAR):		
	Eligible Common Equity Tier 1 (CET 1) Capital	10,917,992	10,372,802
	Eligible Additional Tier 1 (ADT 1) Capital	–	–
	Total Eligible Tier 1 Capital	10,917,992	10,372,802
	Eligible Tier 2 Capital	1,130,999	1,925,620
	Total Eligible Capital (Tier 1 + Tier 2)	12,048,991	12,298,422
	Risk Weighted Assets (RWAs):		
	Credit Risk	20,098,962	20,905,239
	Market Risk	8,777,126	4,353,038
	Operational Risk	2,558,919	2,374,050
	Total	31,435,007	27,632,327
	Common Equity Tier 1 Capital Adequacy ratio	34.73%	37.54%
	Tier 1 Capital Adequacy Ratio	34.73%	37.54%
	Total Capital Adequacy Ratio	38.33%	44.51%

As of December 2020, the Company is required to meet a Tier 1 to RWA ratio and CAR, including CCB, of 7.5% and 11.5% respectively.

Standardized Approach is used for calculating the Capital Adequacy for Market and Credit Risk while Basic Indicator Approach (BIA) is used for Operational Risk.

	2020 Rs '000'	2019 Rs '000'
Leverage Ratio (LR):		
Eligible Tier-1 Capital	10,917,992	10,372,802
Total Exposures	50,256,335	39,555,622
Leverage Ratio	21.72%	26.22%
Liquidity Coverage Ratio (LCR):		
Total High Quality Liquid Assets	5,553,281	4,411,147
Total Net Cash Outflow	2,234,569	1,688,471
Liquidity Coverage Ratio	248.52%	261.25%
Net Stable Funding Ratio (NSFR):		
Total Available Stable Funding	31,845,109	26,727,578
Total Required Stable Funding	17,316,635	17,359,770
Net Stable Funding Ratio	183.90%	153.96%

44.1 The link to the full disclosures for capital adequacy, leverage and liquidity ratios will be available at https://www.saudipak.com/financial/.

45. RISK MANAGEMENT

The Group defines risk as the possibility that an action or event could have adverse outcomes, which could either result in a direct loss of earnings / capital, or the imposition of constraints on the ability to meet objectives. In the normal course of business, the Group is exposed to various risks, including, but not limited to, credit, market, liquidity, and operational risks. The Group recognizes that management of these risks is essential for maintaining financial viability and achieving objectives. In this regard, the Group's approach to risk management is to ensure the ongoing alignment of its risk levels with its risk appetite through a coordinated set of activities that direct and control the Group with regard to risk.

The Group's overall appetite for risk is governed by its Board of Directors (the Board) approved "Risk Management Policy", which delineates key definitions, roles and responsibilities, risk appetite / risk limits, and principles for managing risk across the Group. The Group's Risk Management Framework, comprising of the Risk Management Policy, other Board-approved policies, procedural manuals, sound management information system (MIS) and reporting, and clearly articulated roles, responsibilities and accountabilities, is fundamental to the Group's overall risk management culture and awareness.

The Group recognizes that responsibility for risk management resides at all levels, since the risk management processes rely on individual responsibility and independent oversight. The Board, duly supported by its Risk Management Committee, is accountable for ensuring that adequate and sound structures and policies are in place for risk management. The Management's role is to transform strategic decisions and risk appetite set by the Board into effective processes and systems, and to institute an appropriate hierarchy to execute and implement the approved policies and procedures. In this regard, the Group has implemented a three-line-of-defense approach, wherein as a first line of defense, risk management activities are performed in the business units and functional support units, with the Divisional Heads being accountable for managing risk in their area of operations in accordance with the Risk Management Framework, as well as for the results (both positive and negative) of taking these risks.

To assist in discharge of these responsibilities and accountabilities, various cross-functional committees have been constituted at the Senior Management level, and delegation of authority in financial / operational powers for the Divisions / Regional Offices has been clearly defined. The Risk Management Division (RMD) and Compliance Division (CD) serve as second-line of defense by providing independent oversight of the Group's risk-taking activities and regulatory compliance respectively. The RMD's responsibilities include the design of a clear, transparent and well-aligned Risk Management Policy, independent pre-approval risk reviews of proposals and policies, and ongoing assessment, monitoring and reporting of risks at the portfolio and enterprise level through a broad spectrum of techniques.

The second-line-of-defense is further strengthened through the presence of cross-functional committees such as Credit Risk Management Committee, Operational Risk Management Committee and Compliance Committee. The Internal Audit Division functions as the third-line-of-defense, with direct reporting to the Audit Committee of the Board and independently carrying out internal audits in line with its approved roles and responsibilities.

On an enterprise level, risk monitoring results for the year revealed that the Group's Capital Adequacy Ratio (CAR) remained well above both the internal as well as the regulatory requirements throughout the year, and that the capital and liquidity position remained resilient even under stress.

45.1 Credit Risk

Credit risk is the risk of loss to the Group's earnings or capital arising from the potential that an obligor is either unwilling to perform on an obligation or its ability to perform on such obligation is impaired. Credit risk arises primarily from the Group's advances / debt investments portfolio and lending to financial institutions (FIs) portfolio. Credit risk may also arise at the portfolio level in case of inadequate diversification of the advances portfolio, in terms of industrial sectors, regions, products, or clients.

Pursuit of credit risk is essential to fulfilling the corporate objectives of the Group, and is a primary source of income, conversely, also constituting one of the greatest risk of losses. In this regard, focus is primarily on bankable transactions, offering adequate risk & reward relationship with satisfactory security support. The Group's credit risk management process encompasses identification, assessment, monitoring and control of credit risk exposures. As part of this process, obligor risk and facility risk are carefully evaluated using internal risk rating methodologies, as articulated in the Group's Internal Credit Risk Rating Policy.

Advances exposures are invariably secured by credit risk mitigants in the form of various types of collateral / security with adequate margins. Readily marketable / liquid securities / urban properties are preferred over other forms of collateral. Credit risk stress testing is regularly carried out to identify vulnerable areas for initiating corrective action, if necessary. Regular assessment, monitoring and reporting of the performing & non-performing credit risk portfolio in terms of trends & concentrations, is made by the Risk Management Division (RMD) to the Credit Risk Management Committee and Risk Management Committee of the Board. Board-approved Credit Policy, Credit Risk Policy, Credit Administration Policy, and Special Asset Management Policy are in place, clearly establishing relevant roles and responsibilities, selection criteria, principles and limits for credit risk.

Specific norms for appraisal, sanctioning, documentation, inspections and monitoring, maintenance, rehabilitation and management of assets have been stipulated. Internal controls and processes in place for credit risk management also include:

- Well-defined credit approval and disbursement mechanism, with deliberation at cross-functional Credit & Investment Committee, and review by independent functions, including RMD, CD, and Law Division (LD);
- Post-disbursement credit administration, monitoring and review, including review of credit ratings;
- Board-approved borrower / group limits well within those prescribed in terms of Prudential Regulations, along with other limits on portfolio concentration, e.g. sectoral limits;
- Board-approved counterparty limits for lendings to financial institutions (FIs) in place and regularly reviewed;
- Clear lines of authority for treasury transactions, and independent Back Office / Settlement Division in place to process deals;
- Independent Middle Office in place at RMD to monitor lending to FIs limit compliance;
- Credit Risk Management Committee-approved insurer-wise limits in place and reviewed annually;
- Policies & procedures circulated amongst concerned functionaries through the Group's intranet; and
- Various training initiatives to enhance credit risk knowledge for concerned personnel.

Dedicated Special Asset Management Division (SAMD) and Law Division (LD) are in place to manage past due and impaired assets through litigation, workout or other remedial measures, as appropriate. The Group adheres to the SBP instructions for definitions of past due and impaired assets in the Corporate / Commercial, SME-Medium Enterprise, and SME-Small Enterprise categories respectively.

In addition, the Group may consider subjective criteria in determining account classification. The Group determines provisioning requirements for non-performing advances in accordance with the requirements of the Prudential Regulations issued by SBP. Write-offs are made when there is no realistic prospect of recovery.

The Group employs the Basel Standardized Approach to determine capital requirements for credit risk. As per SBP Guidelines, the Group recognizes VIS and PACRA as approved rating agencies, and applies their ratings where available to determine appropriate risk weight by using mapping criteria prescribed by SBP. In absence of external ratings, the exposures are treated as unrated and relevant risk weights are applied. The Group follows Simple Approach for credit risk mitigation in its Basel capital calculation. Under Simple Approach, the risk weight of the mitigant is substituted for the risk weight of the counterparty to the extent coverage is provided by the mitigant, provided the former risk weight is lower than the latter.

The Group is presently not involved in securitization activities.

The Group's maximum credit risk exposure as at December 31, 2020 amounted to:

	2020 without benfit of collateral Rupees	2020 with benfit of collateral Rupees
Lending to financial institutions	–	119,988,000
Debt investments		
(excluding Government of Pakistan local currency denominated debt)	–	2,371,282,833
Advances	–	6,811,564,922
	–	9,302,835,755

Particulars of Group's significant on-balance sheet and off-balance sheet credit risk in various sectors are analysed as follows:

45.1.1 Lendings to financial institutions
Credit risk by public / private sector

	Gross lendings		Non-performing lendings		Provision held	
	2020	2019	2020	2019	2020	2019
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Public / Government	–	–	–	–	–	–
Private 119,988,000	119,988,000	80,000,000	–	–	–	
	119,988,000	80,000,000	–	–	–	–

45.1.2 Investment in debt securities
Credit risk by industry sector

	Gross investments		Non-performing investments		Provision held	
	2020	2019	2020	2019	2020	2019
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Textile	204,114,140	204,114,140	204,114,140	204,114,140	153,489,140	153,489,140
Chemical and Pharmaceuticals	286,283,751	286,283,751	286,283,751	286,283,751	286,283,751	286,283,751
Power (electricity), Gas, Water, Sanitary	1,000,000,000	1,000,000,000	–	–	–	–
Transport, Storage and Communication	73,981,676	41,197,664	41,197,664	41,197,664	41,197,664	41,197,664
Financial	1,352,927,279	1,295,334,927	3,748,500	3,748,500	3,748,500	3,748,500
Others	–	92,729,028	–	–	–	–
	2,917,306,846	2,919,659,510	535,344,055	535,344,055	484,719,055	484,719,055
Credit risk by public / private sector						
Public / Government	–	–	–	–	–	–
Private	2,917,306,846	2,919,659,510	535,344,055	535,344,055	484,719,055	484,719,055
	2,917,306,846	2,919,659,510	535,344,055	535,344,055	484,719,055	484,719,055

45.1.3 Advances	2020	2019	2020	2019	2020	2019
Credit risk by industry sector	Gross advances		Non-performing advances		Provision held	
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Textile	2,611,665,253	2,559,732,576	1,217,804,046	1,386,404,576	1,063,068,578	1,061,240,512
Chemical and Pharmaceuticals	14,972,941	14,972,941	14,972,941	14,972,941	14,972,941	14,972,941
Cement	154,163,521	156,781,217	116,206,923	116,206,923	116,206,923	116,206,923
Sugar	843,114,473	843,114,473	243,114,473	243,114,473	243,114,473	187,231,049
Automobile and transportation equipment	162,999,822	196,999,822	153,000,000	153,000,000	153,000,000	153,000,000
Electronics and electrical appliances	368,166,667	1,048,375,000	–	–	–	–
Construction	200,044,160	205,752,708	200,044,160	205,752,708	200,044,160	205,752,708
Power (electricity), Gas, Water, Sanitary	1,355,596,934	1,396,660,042	165,028,752	165,028,752	165,028,752	165,028,752
Transport, Storage and Communication	12,461,152	12,461,152	12,461,152	12,461,152	12,461,152	12,461,152
Financial	189,406,858	191,304,214	89,406,858	89,406,858	89,406,858	89,406,858
Services	217,030,294	217,030,294	32,030,294	32,030,294	32,030,294	32,030,294
Paper board and products	33,736,423	77,486,423	33,736,423	33,736,423	33,736,423	33,736,423
Rubber and plastic products	270,000,000	270,000,000	–	–	–	–
Basic metals	217,711,493	226,331,699	69,093,230	69,093,230	69,093,230	26,843,230
Dairy & Poultry	1,405,555,554	1,405,555,554	1,405,555,554	1,405,555,554	199,433,230	–
Others	1,288,786,391	1,287,133,648	142,250,000	142,250,000	142,250,000	142,250,000
	9,345,411,936	10,109,691,763	3,894,704,806	4,069,013,884	2,533,847,014	2,240,160,842

	2020	2019	2020	2019	2020	2019
Credit risk by public / private sector	Gross advances		Non-performing advances		Provision held	
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Public/ Government	–	–	–	–	–	–
Private	9,345,411,936	10,109,691,763	3,894,704,806	4,069,013,884	2,533,847,014	2,240,160,842
	9,345,411,936	10,109,691,763	3,894,704,806	4,069,013,884	2,533,847,014	2,240,160,842

	2020 Rupees	2019 Rupees
45.1.4 Contingencies and Commitments		
Commitments: credit risk by industry sector		
Textile	1,002,224,393	676,670,000
Chemical and Pharmaceuticals	350,000,000	350,000,000
Electronics and electrical appliances	386,000,000	386,000,000
Construction	–	200,000,000
Power (electricity), Gas, Water, Sanitary	500,000,000	650,000,000
Financial	150,000,000	–
Basic metals	200,000,000	200,000,000
Others	5,293,614	8,368,827
	2,593,518,007	2,471,038,827
Credit risk by public / private sector		
Public/ Government	–	–
Private	2,593,518,007	2,471,038,827
	2,593,518,007	2,471,038,827

45.1.5 Concentration of Advances

Top 10 exposures of the Group on the basis of total (funded and non-funded exposures) aggregated to Rs. 5,695 million (2019: Rs. 5,514 million) as follows:

	2020 Rupees	2019 Rupees
Funded	5,192,558,992	5,336,861,385
Non Funded	502,224,393	176,670,000
Total Exposure	5,694,783,385	5,513,531,385

	2020		2019	
	Amount	Provision held	Amount	Provision held
	Rupees		Rupees	
Total funded classified therein				
Substandard	–	–	–	–
Doubtful	–	–	750,000,000	–
Loss	2,125,465,203	919,342,879	1,375,465,203	632,731,075
Total	2,125,465,203	919,342,879	2,125,465,203	632,731,075

45.1.6 Advances - Province/Region-wise Disbursement & Utilization

	2020						
	Disbursements	Utilization					
		Punjab	Sindh	KPK including FATA	Balochistan	Islamabad	AJK including Gilait-Baltistan
Province/Region							
Punjab	–	–	–	–	–	–	–
Sindh	–	–	–	–	–	–	–
KPK including FATA	–	–	–	–	–	–	–
Baluchistan	–	–	–	–	–	–	–
Islamabad	449,447,607	349,447,607	100,000,000	–	–	–	–
AJK including Gilgit-Baltistan	–	–	–	–	–	–	–
Total	449,447,607	349,447,607	100,000,000	–	–	–	–

	2019						
	Disbursements	Utilization					
		Punjab	Sindh	KPK including FATA	Balochistan	Islamabad	AJK including Gilait-Baltistan
Province/Region							
Punjab	–	–	–	–	–	–	–
Sindh	–	–	–	–	–	–	–
KPK including FATA	–	–	–	–	–	–	–
Baluchistan	–	–	–	–	–	–	–
Islamabad	3,018,086,430	2,385,086,430	633,000,000	–	–	–	–
AJK including Gilgit-Baltistan	–	–	–	–	–	–	–
Total	3,018,086,430	2,385,086,430	633,000,000	–	–	–	–

45.2 Market Risk

Market risk is the risk of loss to the Group's earnings or capital arising from potential movements in market risk factors, such as interest rates, equity prices and foreign exchange rates. The Group is exposed to market risk from its banking book as well as trading book exposures, the latter of which includes HFT & AFS investments in debt & listed equity instruments, and open position in foreign currency.

The market risk strategy of the Group is to maximize returns while keeping exposure to market risk at or below the approved levels, provided in the shape of market risk limits. Board-approved Treasury Policy, PMD Investment Policy and Market Risk Policy are in place with defined market risk management parameters / limits to control market risk levels. The Treasury Division (TD) and Portfolio Management Division (PMD) consider economic and market conditions, along with the Group's portfolio mix, diversification and expertise when setting and executing annual business strategy and reviewing policy.

Assets / Liability Management Committee (ALCO) meets monthly, and evaluates liquidity, market and interest rate risk as part of its approved Terms of Reference. An independent Market & Liquidity Risk /Middle Office Unit housed in RMD is tasked to, inter alia, independently monitor, measure and analyze market risk of the Group on daily basis, perform risk review of day-to-day PMD & TD activities, escalate any limit breaches or exceptions on the same working day of identification, review the Group's interest rate risk management framework & methodology, and prepare risk reports for ALCO and RMCB, including review of risk-adjusted performance of the investment portfolio.

The Group uses a comprehensive suite of risk measurement techniques to assess market risk in the trading book, which includes monitoring levels and trends in mark-to-market, price value of basis point (PVBP), beta, and Value-at-Risk (VaR) metrics, as well as stress tests and sensitivity analyses based on these measures. VaR is calculated for all trading book positions and portfolios on a daily basis, and measures the estimated maximum loss over a defined horizon based on historical simulation.

The Group calculates its VaR with a 1-day and 10-day horizon period using a one-tail, 99% confidence interval in accordance with Basel specifications. The 1-day VaR is further back tested on daily basis against next day's P&L based on actual observed movements in market risk factors. Back testing results suggest that the model is currently providing an appropriate estimate of the risk. For interest rate risk in the banking book, the Group primarily relies on gap analysis & static simulation model. Stress tests are carried out for traded & non-traded market risks on the basis of extreme, yet plausible, stress scenarios. Results produced by the aforementioned models are included in management and Board-committee reporting.

45.2.1 Balance sheet split by trading and banking books

	2020			2019		
	Banking book	Trading book	Total	Banking book	Trading book	Total
	Rupees			Rupees		
Cash and balances with treasury banks	107,801,624	–	107,801,624	36,415,621	–	36,415,621
Balances with other banks	616,653,510	–	616,653,510	145,929,979	–	145,929,979
Lendings to financial institutions	119,988,000	–	119,988,000	80,000,000	–	80,000,000
Investments	3,123,738,178	32,173,076,604	35,296,814,782	3,187,620,865	20,465,485,506	23,653,106,371
Advances	6,811,564,922	–	6,811,564,922	7,869,530,921	–	7,869,530,921
Fixed assets	3,151,298,418	–	3,151,298,418	3,226,138,281	–	3,226,138,281
Intangible assets	7,229,440	–	7,229,440	8,488,075	–	8,488,075
Deferred tax assets	–	–	–	–	–	–
Other assets	2,133,546,526	–	2,133,546,526	2,016,597,323	–	2,016,597,323
Development Properties	198,210,163	–	198,210,163	246,626,663	–	246,626,663
	16,270,030,781	32,173,076,604	48,443,107,385	16,817,347,728	20,465,485,506	37,282,833,234

45.2.2 Foreign Exchange Risk

The Group does not actively deal in foreign currency. Its aggregate foreign currency exposure is limited to USD-denominated bank balance, as represented in the table below. As such, the Group's direct exposure to foreign currency risk is minimal, with a favourable impact in case of PKR depreciation.

The foreign exchange exposures during the year of the Company is given as follows:

	2020				2019			
	Foreign currency Assets	Foreign currency Liabilities	Off-balance sheet items	Net foreign currency exposure	Foreign currency Assets	Foreign currency Liabilities	Off-balance sheet items	Net foreign currency exposure
	Rupees				Rupees			
United States Dollar	21,062,689	–	–	21,062,689	20,315,522	–	–	20,315,522

	2020		2019	
	Banking book	Trading book	Banking book	Trading book
	Rupees		Rupees	
Impact of 1% change in foreign exchange rates on				
- Profit and loss account	210,627	–	203,155	–
- Other comprehensive income	–	–	–	–

45.2.3 Equity position Risk

The Group's objective regarding trading in equities is to maximize the return on equity investment by acquiring fundamentally strong shares at appropriate levels and maintaining such a balance between short term and long term investment that can provide maximum possible opportunities to avail both capital gains and dividend income. The Group's maximum exposure to the stock market is constrained in terms of the single-stock and aggregate limits prescribed under the SBP Prudential Regulations. Prime responsibility for managing the Group's equity positions rests with the Portfolio Management Division (PMD). The Board of Directors has approved sectoral limits, as well as portfolio limits that fall within the SBP-prescribed aggregate limit for DFIs. Senior Management's Quoted Securities Monitoring Committee reviews investment climate and stock market investment strategy & portfolio, and reviews & approves listed stock investment / divestment recommendations by PMD, and stop loss decision where required. Unquoted Investments Monitoring Committee is also in place to monitor and manage investments in unquoted companies. The Market & Liquidity Risk /Middle Office Unit housed in RMD independently monitors PMD deals, policy / limit compliance, broker usage, realized/unrealized gain/loss, and generates market risk metrics such as beta, Value-at-Risk, sensitivity analyses and stress tests. The Unit is responsible for escalation of any limit breaches to concerned authorities, and also provides monthly summary reports to ALCO and periodic risk/return performance reports to the Risk Management Committee of the Board. PMD performance is also regularly reviewed by ALCO through regular reporting by the former, with the latter also serving as approving authority for the broker panel.

	2020		2019	
	Banking book	Trading book	Banking book	Trading book
	Rupees		Rupees	
Impact of 5% change in equity prices on				
- Profit and loss account	–	2,753,725	–	–
- Other comprehensive income	–	112,435,805	–	102,833,707

45.2.4 Yield / Interest Rate Risk in the Banking Book (IRRBB)-Basel II Specific

The Group's interest rate risk arises from its trading book and banking book. Interest rate risk in the trading book is a result of HFT & AFS investments in debt instruments that are reported at fair value, and whose value is influenced by prevailing interest rates. The Group's interest rate risk exposures in the banking book originate from financial assets & liabilities that are exposed to different points in the yield curve, and are not matched in terms of repricing / maturity dates or interest rate basis. Since the Group does not take non-maturity deposits and bulk of its loans are floating-rate in nature, optionality/prepayment-related interest rate risk is insignificant.

The primary objective of interest rate risk management is to control exposure to interest rate risk, within approved limits. The Group has Board-approved Treasury Policy and Interest Rate Risk Management Framework in place that govern the interest rate risk management process. The Treasury Division directly functions to manage interest rate risks through diversification of exposures and structuring matching asset/liability transactions. The ALCO provides oversight of interest rate risk, including articulating interest rate view, deciding on future business strategy, monitoring interest rate risk and deliberating on mitigation measures. To control interest rate risk in the trading book, duration limits are in place for the fixed income investment portfolio, in terms of the Treasury Policy. To control interest rate risk in the banking book, target levels have been established on the repricing/ maturity gaps in each time band, as determined through slotting of interest-rate sensitive assets and liabilities according to contractual repricing / maturity dates, whichever is earlier. The Market & Liquidity Risk / Middle Office Unit monitors limit compliance, reviews the interest rate risk management framework, develops interest rate risk measurement methodology, and provides monthly & quarterly reports to ALCO. Interest rate risk measurement methodology currently employed by the Group for the trading book includes marking-to-market, price value of basis point (PVBP), sensitivity analyses / stress testing and Value-at-Risk. For the banking book, methodology is based on gap analysis and static simulation, with an earnings and economic value perspective, as well as stress testing.

	2020		2019	
	Banking book	Trading book	Banking book	Trading book
	Rupees		Rupees	
Impact of 1% change in interest rates on				
- Profit and loss account	49,549,939	–	5,947,471	–
- Other comprehensive income	–	–	–	84,222,391

45.2.5 Mismatch of Interest Rate Sensitive Assets and Liabilities

2020

	Effective yield/ interest rate	Total	Exposed to Yield / Interest risk									Non-interest bearing financial instruments
			Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years	
		Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	
On-balance sheet financial instruments												
Assets												
Cash and balances with treasury banks	–	107,801,624	–	–	–	—	–	–	–	–	–	107,801,624
Balances with other banks	5.50	616,653,510	608,290,408	–	–	–	–	–	–	–	–	8,363,102
Lending to financial institutions	6.40	119,988,000	119,988,000	–	–	–	–	–	–	–	–	–
Investments	8.65	35,296,814,782	516,508,553	18,751,570,196	319,059,421	1,000,335,000	–	–	7,143,206,000	4,728,845,000	–	2,837,290,612
Advances	10.13	6,811,564,922	1,221,895,716	3,049,050,385	2,476,582,429	4,922,949	4,639,441	–	–	54,474,002	–	–
Other assets	–	1,130,009,489	–	–	–	–	–	–	–	–	–	1,130,009,489
		44,082,832,327	2,466,682,677	21,800,620,581	2,795,641,850	1,005,257,949	4,639,441	–	7,143,206,000	4,783,319,002	–	4,083,464,827
Liabilities												
Borrowings	7.18	32,319,679,434	27,710,106,428	695,028,419	3,075,874,009	51,748,018	126,908,632	126,908,632	219,755,058	313,350,238	–	–
Deposits and other accounts	7.41	2,445,800,000	2,095,000,000	10,000,000	340,800,000	–	–	–	–	–	–	–
Other liabilities	–	359,167,446	–	–	–	–	–	–	–	–	–	359,167,446
		35,124,646,880	29,805,106,428	705,028,419	3,416,674,009	51,748,018	126,908,632	126,908,632	219,755,058	313,350,238	–	359,167,446
On-balance sheet gap		8,958,185,447	(27,338,423,751)	21,095,592,162	(621,032,159)	953,509,931	(122,269,191)	(126,908,632)	6,923,450,942	4,469,968,764	–	3,724,297,381
Off-balance sheet financial instruments		–	–	–	–	–	–	–	–	–	–	–
Off-balance sheet gap		–	–	–	–	–	–	–	–	–	–	–
Total Yield / Interest Risk Sensitivity Gap			(27,338,423,751)	21,095,592,162	(621,032,159)	953,509,931	(122,269,191)	(126,908,632)	6,923,450,942	4,469,968,764	–	3,724,297,381
Cumulative Yield / Interest Risk Sensitivity Gap			(27,338,423,751)	(6,242,831,589)	(6,863,863,748)	(5,910,353,817)	(6,032,623,008)	(6,159,531,640)	763,919,302	5,233,888,066	5,233,888,066	–

2019

	Effective yield/ interest rate	Total	Exposed to Yield / Interest risk									Non-interest bearing financial instruments
			Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 to 12 months	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years	
		Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	
On-balance sheet financial instruments												
Assets												
Cash and balances with treasury banks	–	36,415,621	–	–	–	–	–	–	–	–	–	36,415,621
Balances with other banks	11.25	145,929,979	139,930,801	–	–	–	–	–	–	–	–	5,999,178
Lending to financial institutions	13.05	80,000,000	80,000,000	–	–	–	–	–	–	–	–	–
Investments	14.27	23,653,106,371	265,951,700	14,700,632,736	979,175,421	911,545,000	4,175,703,000	–	–	–	–	2,620,098,514
Advances	14.77	7,869,530,921	1,425,166,350	4,295,921,658	2,092,499,999	545,700	3,926,032	–	–	51,471,182	–	–
Other assets	–	1,168,419,283	–	–	–	–	–	–	–	–	–	1,168,419,283
		32,953,402,175	1,911,048,851	18,996,554,394	3,071,675,420	912,090,700	4,179,629,032	–	–	51,471,182	-	3,830,932,596
Liabilities												
Borrowings	13.26	22,784,019,394	15,022,338,500	4,019,390,916	3,019,624,008	14,248,016	103,496,036	103,496,036	201,425,898	299,999,984	–	–
Deposits and other accounts	13.71	510,000,000	500,000,000	10,000,000	–	–	–	–	–	–	–	–
Other liabilities	–	347,693,408	–	–	–	–	–	–	–	–	–	347,693,408
		23,641,712,802	15,522,338,500	4,029,390,916	3,019,624,008	14,248,016	103,496,036	103,496,036	201,425,898	299,999,984	–	347,693,408
On-balance sheet gap		9,311,689,373	(13,611,289,649)	14,967,163,478	52,051,412	897,842,684	4,076,132,996	(103,496,036)	(201,425,898)	(248,528,802)	–	3,483,239,188
Off-balance sheet financial instruments		–	–	–	–	–	–	–	–	–	–	–
Off-balance sheet gap		–	–	–	–	–	–	–	–	–	–	–
Total Yield / Interest Risk Sensitivity Gap			(13,611,289,649)	14,967,163,478	52,051,412	897,842,684	4,076,132,996	(103,496,036)	(201,425,898)	(248,528,802)	–	3,483,239,188
Cumulative Yield / Interest Risk Sensitivity Gap			(13,611,289,649)	1,355,873,829	1,407,925,241	2,305,767,925	6,381,900,921	6,278,404,885	6,076,978,987	5,828,450,185	5,828,450,185	–

45.3 Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people, systems or from external events. Types of events that can lead to operational risk include:

- Internal / external fraud events;
- Employment practices & workplace safety events;
- Clients, products & business practices events;
- Damage to physical assets events;
- Business disruption and system failures events; and
- Execution, delivery & process management events;

Types of operational risk losses can include monetary, regulatory, client, or health & safety loss, or legal liability / inability to enforce legal claim, and measures that may be taken to mitigate losses include improving underlying processes through enhanced internal controls, having contingency plan / backup arrangements in place, and ensuring adequate insurance coverage.

The Group's operational risk management process is governed by the Operational Risk Management Framework ("ORMF") and Operational Risk Policy which have been duly approved by the Board of Directors. The operational risk management structure comprises the line management as first line of defense, an independent Operational Risk Management Unit ("ORMU") operating under the Risk Management Division ("RMD") as second line of defense, and independent Internal Audit as third line of defense. An organizational culture of integrity and discipline built through trainings and appropriate hiring, and separation of duties and principles of internal control as embedded in relevant policies and procedures, are key principles for operational risk management. Operational Risk Coordinators ("ORCs") that have been established from each division work with the ORMU to identify, analyze, explain and mitigate operational issues within their respective areas of expertise. The ORMU develops and updates the ORMF, implements operational risk measurement and reporting, and coordinates with ORCs to source necessary information and promote sound operational risk management. Senior management-level Operational Risk Management Committee ("ORMC") meets quarterly with the goal to assure that actions are being taken to meet the stated objective of operational risk management in the Group. Presently loss data, key risk indicators, risk & control self-assessments, and scenario analysis are being used to assess operational risk. Operational risk reports on the basis of these tools, along with suggested risk mitigants where required, are presented by ORMU to the ORMC. Operational risk reports are also discussed as part of the agenda of meetings of Risk Management Committee of the Board ("RMCB").

In order to ensure business continuity, resumption and recovery of critical business process after a disaster, the Group has a robust Business Continuity Plan / Disaster Recovery Plan in place, with off-site backup and regular testing carried out. The Group also has a Technology Governance Framework & IT Security Policy in place, addressing issues such as incident reporting, risk identification, IT controls and systems security, with added oversight provided by regular meetings of the IT Steering Committee of management. KYC / AML Policies are also in place for Credit and Treasury activities.

Basic Indicator Approach with capital charge of 15% of average gross income for previous 3 years has been applied for Operational Risk. Loss data process has been fully implemented, with ORCs providing details for events / near misses / potential losses through an in-house software.

45.4 Liquidity Risk

Liquidity risk is the potential for loss arising from either an inability to meet obligations or to fund increase in assets as they fall due without incurring unacceptable cost or losses.

The liquidity risk strategy of the Group is to strive to maintain liquidity at an acceptable level over the short- and long-term, in order to settle financial obligations in a timely and economical manner. Liquidity Risk Policy, Treasury Policy and Contingency Funding Plan are in place to govern the liquidity risk management process. The prime responsibility for the management of liquidity risk lies with Treasury Division (TD) which ensures that the Group's operations can meet its current and future funding needs. Mix of Saudi Pak assets and liabilities is monitored by TD to ensure that gaps are efficiently managed, and target gap levels are in place. Regulatory limits (e.g. Statutory Liquidity Requirement [SLR], Net Stable Funding Ratio [NSFR]) are monitored and returns are submitted. Internal limit on liquid assets to total borrowings and deposits is also in place. TD further aims for effective diversification of sources of borrowing / liquidity. The Group's leverage also remains well within parameters allowed by SBP, ensuring a stable source of liquidity in the form of capital. ALCO provides additional oversight for liquidity risk management through its monthly meetings. The Market & Liquidity Risk / Middle Office Unit housed in RMD independently reviews liquidity risk policy, and monitors liquidity ratios, gaps and funding concentrations on daily basis, providing regular reporting on the same to ALCO along with stress testing, with timely escalation in case of any limit breach. The Group overall strives to maintain a strong market reputation and to keep credit risk and market risk within manageable limits so that these risks may not trigger any undesirable liquidity crunch.

45.4.1 Maturities of Assets and Liabilities - based on contractual maturity of the assets and liabilities of the Group

	2020													
	Total	Upto 1 day	Over 1 to 7 days	Over 7 to 14 days	Over 14 days to 1 month	Over 1 to 2 months	Over 2 to 3 months	Over 3 to 6 months	Over 6 to 9 months	Over 9 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 years
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Assets														
Cash and balances with treasury banks	107,801,624	107,801,624	–	–	–	–	–	–	–	–	–	–	–	–
Balances with other banks	616,653,510	616,653,510	–	–	–	–	–	–	–	–	–	–	–	–
Non-current asset classified as held for sale	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Lending to financial institutions	119,988,000	-	119,988,000	–	–	–	–	–	–	–	–	–	–	–
Investments	35,296,814,782	–	–	181,439,991	5,068,562	30,000	191,930,295	58,000	1,000,365,000	2,278,159,526	531,607,400	545,050,000	8,125,461,000	22,437,645,008
Advances	6,811,564,922	36,339,716	–	–	529,600	39,338,448	563,429,357	1,350,501,721	634,731,006	732,973,646	1,072,699,572	741,637,608	1,115,962,165	523,422,083
Fixed assets	3,151,298,418	293,379	1,760,274	2,053,653	4,694,065	8,801,372	8,801,372	29,770,598	26,404,116	26,404,116	105,616,465	105,616,465	423,721,324	2,407,361,219
Intangible assets	7,229,440	6,693	40,159	46,853	107,092	200,797	200,798	602,392	602,392	602,393	2,409,570	2,410,301	–	–
Deferred tax assets	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Other assets	2,133,546,526	568,612,486	–	–	8,286,723	135,538,296	271,076,592	265,072,890	435,390,762	449,568,777	–	–	–	–
Development Properties	198,210,163	–	–	–	–	–	–	–	–	–	–	–	198,210,163	–
	48,443,107,385	1,329,707,408	121,788,433	183,540,497	18,686,042	183,908,913	1,035,438,414	1,646,005,601	2,097,493,276	3,487,708,458	1,712,333,007	1,394,714,374	9,863,354,652	25,368,428,310
Liabilities														
Bills payable	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Borrowings	32,319,679,434	–	7,610,000,000	6,120,369,333	13,804,737,092	131,235,246	63,793,173	559,207,342	271,707,342	684,207,346	1,101,908,632	1,001,908,632	657,255,058	313,350,238
Deposits and other accounts	2,445,800,000	–	–	–	1,095,000,000	1,000,000,000	10,000,000	340,800,000	–	–	–	–	–	–
Liabilities against assets subject to finance lease	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Subordinated debt	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Deferred tax liabilities	40,297,275	331,008	–	–	4,824	335,816	671,631	1,007,447	671,615	1,343,229	4,029,737	4,029,737	8,059,475	19,812,756
Other liabilities	504,367,572	2,919,180	20,434,260	40,868,521	23,353,441	58,383,601	116,767,203	121,785,692	58,181,313	44,779,864	–	–	5,068,349	11,826,148
	35,310,144,281	3,250,188	7,630,434,260	6,161,237,854	14,923,095,357	1,189,954,663	191,232,007	1,022,800,481	330,560,270	730,330,439	1,105,938,369	1,005,938,369	670,382,882	344,989,142
Net assets	13,132,963,104	1,326,457,220	(7,508,645,827)	(5,977,697,357)	(14,904,409,315)	(1,006,045,750)	844,206,407	623,205,120	1,766,933,006	2,757,378,019	606,394,638	388,776,005	9,192,971,770	25,023,439,168
Share capital/ Head office capital account	6,600,000,000													
Reserves	1,543,528,706													
Unappropriated/ Unremitted profit	3,574,610,055													
Surplus/(Deficit) on revaluation of assets	1,414,824,343													
	13,132,963,104													

	2019													
	Total	Upto 1 day	Over 1 to 7 days	Over 7 to 14 days	Over 14 days to 1 month	Over 1 to 2 months	Over 2 to 3 months	Over 3 to 6 months	Over 6 to 9 months	Over 9 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 years
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Assets														
Cash and balances with treasury banks	36,415,621	36,415,621	–	–	–	–	–	–	–	–	–	–	–	–
Balances with other banks	145,929,979	145,929,979	–	–	–	–	–	–	–	–	–	–	–	–
Non-current asset classified as held for sale	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Lending to financial institutions	80,000,000	–	80,000,000	–	–	–	–	–	–	–	–	–	–	–
Investments	23,653,106,371	–	–	92,729,028	173,222,672	12,561,006	113,982,730	58,000	911,575,000	2,137,041,927	4,175,879,000	526,213,000	1,227,645,000	14,282,199,008
Advances	7,869,530,921	286,396,319	253,818	-	23,748,689	60,519,882	642,215,999	1,309,671,766	567,026,297	788,663,384	1,144,993,054	969,569,584	1,473,172,957	603,299,172
Fixed assets	3,226,138,281	302,507	1,815,043	2,117,550	4,840,115	9,075,216	16,134,586	27,225,648	27,225,648	27,225,648	108,902,592	108,902,592	420,316,751	2,472,054,384
Intangible assets	8,488,075	7,859	47,151	55,010	125,737	235,756	235,756	707,268	707,268	707,268	2,829,073	2,829,930	–	–
Deferred tax assets	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Other assets	2,016,597,323	537,814,290	498,404	57,272,437	31,162,207	141,038,991	282,077,983	290,650,238	332,597,135	343,485,640	–	–	–	–
Development Properties	246,626,663	–	–	–	–	–	–	–	–	–	–	–	246,626,663	–
	37,282,833,234	1,006,866,574	82,614,416	152,174,025	233,099,419	223,430,851	1,054,647,054	1,628,312,920	1,839,131,348	3,297,123,867	5,432,603,719	1,607,515,106	3,367,761,371	17,357,552,564
Liabilities														
Bills payable	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Borrowings	22,784,019,394	–	600,000,000	4,058,333,333	9,955,671,832	2,443,097,743	201,293,173	852,957,341	452,957,341	540,457,341	1,661,829,372	828,496,036	888,925,898	299,999,984
Deposits and other accounts	510,000,000	–	–	–	–	500,000,000	10,000,000	–	–	–	–	–	–	–
Liabilities against assets subject to finance lease	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Subordinated debt	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Deferred tax liabilities	299,466,049	2,141,580	1,985	228,059	124,088	2,495,587	4,991,174	7,486,761	4,991,052	9,982,103	29,946,678	29,946,678	59,893,357	147,236,947
Other liabilities	489,272,292	2,814,028	19,698,197	39,396,395	22,512,226	56,280,564	112,561,128	118,455,531	51,052,027	52,286,838	–	–	4,264,608	9,950,751
	24,082,757,735	4,955,608	619,700,182	4,097,957,787	9,978,308,146	3,001,873,894	328,845,475	978,899,633	509,000,420	602,726,282	1,691,776,050	858,442,714	953,083,863	457,187,682
Net assets	13,200,075,499	1,001,910,966	(537,085,766)	(3,945,783,762)	(9,745,208,726)	(2,778,443,042)	725,801,579	649,413,287	1,330,130,928	2,694,397,584	3,740,827,669	749,072,392	2,414,677,508	16,900,364,882

Share capital/ Head office capital account	6,600,000,000
Reserves	1,420,278,666
Unappropriated/ Unremitted profit	2,992,478,628
Surplus/(Deficit) on revaluation of assets	2,187,318,205
	13,200,075,499

45.4.2 Maturities of assets and liabilities - based on expected maturities of the assets and liabilities of the Group

	2020									
	Total	Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 Year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Assets										
Cash and balances with treasury banks	107,801,624	107,801,624	–	–	–	–	–	–	–	–
Balances with other banks	616,653,510	616,653,510	–	–	–	–	–	–	–	–
Non-current asset classified as held for sale	–	–	–	–	–	–	–	–	–	–
Lending to financial institutions	119,988,000	119,988,000	–	–	–	–	–	–	–	–
Investments	35,296,814,782	186,508,553	191,960,295	58,000	3,278,524,526	531,607,400	545,050,000	8,125,461,000	22,437,645,008	–
Advances	6,811,564,922	36,869,316	602,767,805	1,350,501,721	1,367,704,652	1,072,699,572	741,637,608	1,115,962,165	505,394,904	18,027,179
Fixed assets	3,151,298,418	8,801,371	17,602,744	29,770,598	52,808,232	105,616,465	105,616,465	423,721,324	349,545,270	2,057,815,949
Intangible assets	7,229,440	200,797	401,595	602,392	1,204,785	2,409,570	2,410,301	–	–	–
Deferred tax assets	–	–	–	–	–	–	–	–	–	–
Other assets	2,133,546,526	576,899,209	406,614,888	265,072,890	884,959,539	–	–	–	–	–
Development Properties	198,210,163	–	–	–	–	–	–	198,210,163	–	–
	48,443,107,385	1,653,722,380	1,219,347,327	1,646,005,601	5,585,201,734	1,712,333,007	1,394,714,374	9,863,354,652	23,292,585,182	2,075,843,128
Liabilities										
Bills payable	–	–	–	–	–	–	–	–	–	–
Borrowings	32,319,679,434	27,535,106,425	195,028,419	559,207,342	955,914,688	1,101,908,632	1,001,908,632	657,255,058	313,350,238	–
Deposits and other accounts	2,445,800,000	1,095,000,000	1,010,000,000	340,800,000	–	–	–	–	–	–
Liabilities against assets subject to finance lease	–	–	–	–	–	–	–	–	–	–
Subordinated debt	–	–	–	–	–	–	–	–	–	–
Deferred tax liabilities	40,297,275	335,832	1,007,447	1,007,447	2,014,844	4,029,737	4,029,737	8,059,475	9,919,805	9,892,951
Other liabilities	504,367,572	87,575,402	175,150,804	121,785,692	102,961,177	–	–	5,068,349	11,826,148	–
	35,310,144,281	28,718,017,659	1,381,186,670	1,022,800,481	1,060,890,709	1,105,938,369	1,005,938,369	670,382,882	335,096,191	9,892,951
Net assets	13,132,963,104	(27,064,295,279)	(161,839,343)	623,205,120	4,524,311,025	606,394,638	388,776,005	9,192,971,770	22,957,488,991	2,065,950,177
Share capital/ Head office capital account	6,600,000,000									
Reserves	1,543,528,706									
Unappropriated/ Unremitted profit	3,574,610,055									
Surplus/(Deficit) on revaluation of assets	1,414,824,343									
	13,132,963,104									

	Total	2019								
		Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 Year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Assets	65,229,932									
Cash and balances with treasury banks	36,415,621	36,415,621	–	–	–	–	–	–	–	–
Balances with other banks	145,929,979	145,929,979	–	–	–	–	–	–	–	–
Non-current asset classified as held for sale	–	–	–	–	–	–	–	–	–	–
Lending to financial institutions	80,000,000	80,000,000	–	–	–	–	–	–	–	–
Investments	23,653,106,371	265,951,700	126,543,736	58,000	3,048,616,927	4,175,879,000	526,213,000	1,227,645,000	14,282,199,008	–
Advances	7,869,530,921	310,398,826	702,735,881	1,309,671,766	1,355,689,681	1,144,993,054	969,569,584	1,473,172,957	603,299,172	–
Fixed assets	3,226,138,281	9,075,216	25,209,802	27,225,648	54,451,296	108,902,592	108,902,592	420,316,751	365,070,421	2,106,983,963
Intangible assets	8,488,075	235,756	471,512	707,268	1,414,536	2,829,073	2,829,930	–	–	–
Deferred tax assets	–	–	–	–	–	–	–	–	–	–
Other assets	2,016,597,323	626,747,337	423,116,974	290,650,238	676,082,774	–	–	–	–	–
Development Properties	246,626,663	–	–	–	–	–	–	246,626,663	–	–
	37,282,833,234	1,474,754,435	1,278,077,905	1,628,312,920	5,136,255,214	5,432,603,719	1,607,515,106	3,367,761,371	15,250,568,601	2,106,983,963
Liabilities										
Bills payable	–	–	–	–	–	–	–	–	–	–
Borrowings	22,784,019,394	14,614,005,165	2,644,390,916	852,957,341	993,414,682	1,661,829,372	828,496,036	888,925,898	299,999,984	–
Deposits and other accounts	510,000,000	–	510,000,000	–	–	–	–	–	–	–
Liabilities against assets subject to finance lease	–	–	–	–	–	–	–	–	–	–
Subordinated debt	–	–	–	–	–	–	–	–	–	–
Deferred tax liabilities	299,466,049	2,495,712	7,486,761	7,486,761	14,973,155	29,946,678	29,946,678	59,893,357	74,866,512	72,370,435
Other liabilities	489,272,292	84,420,846	168,841,692	118,455,531	103,338,865	–	–	4,264,608	9,950,751	–
	24,082,757,735	14,700,921,723	3,330,719,369	978,899,633	1,111,726,702	1,691,776,050	858,442,714	953,083,863	384,817,247	72,370,435
Net assets	13,200,075,499	(13,226,167,288)	(2,052,641,463)	649,413,287	4,024,528,512	3,740,827,669	749,072,392	2,414,677,508	14,865,751,354	2,034,613,528
Share capital/ Head office capital account	6,600,000,000									
Reserves	1,420,278,666									
Unappropriated/ Unremitted profit	2,992,478,628									
Surplus/(Deficit) on revaluation of assets	2,187,318,205									
	13,200,075,499									

45.5 Derivative Risk

Presently, the Group does not have exposure in derivative products, and consequently is not exposed to derivatives-related risk.

45.6 COVID-19 Risk Management

The COVID-19 pandemic has taken a toll on all economies and emerged as a contagion risk around the globe, including Pakistan. To reduce the impact on businesses and economies in general, regulators / governments across the globe have introduced a number of measures on both the fiscal and economic fronts. The risk management policies continue to remain robust and the Company is reviewing its portfolio regularly and conducts rapid portfolio reviews in line with emerging risks.

The State Bank of Pakistan (SBP) has also responded to the crisis by cutting the Policy Rate by 625 basis points since the beginning of the year, to 7% till December 31, 2020. Other regulatory measures to provide an impetus to economic activity include the following:

- reduction in the capital conservation buffer by 100 basis points to 1.5%;
- increasing the regulatory limit on extension of credit to SMEs to Rs 180 million;
- relaxing the debt burden ratio for consumer loans from 50% to 60%;
- The timeline for classification of 'trade bills' as non-performing has been extended from 180 days overdue to 365 days overdue;
- The financing facilities of obligors which have requested for deferment or rescheduling / restructuring are not required to be classified unless the payment obligations are past due by 180 days;
- allowing banks to defer borrowers' principal loan payments by one year and or restructure / reschedule loans for borrowers who require relief of principal repayment exceeding one year and / or mark-up with no reflection on credit history; and
- Introduction of refinancing schemes for payment of wages and salaries.

COVID-19 will impact financial institutions in Pakistan on a number of fronts including increase in credit risk pertaining to the loans and advances portfolio, reduced fee income due to overall slowdown in economic activity, continuity of business operations and managing cybersecurity threat as certain Bank's staff members are working from home and an ever increasing number of customers are being encouraged to use digital channels. Major aspects of COVID 19 on the Company's risk management policies are given below:

Credit risk management

The risk management function of the Holding company is regularly conducting assessments of the credit portfolio to identify borrowers most likely to get affected due to changes in the business and economic environment. The Holding company has further strengthened its credit review procedures in light of the COVID-19. The Holding company is continuously reviewing the portfolio, to identify accounts susceptible to higher risk, resulting from the COVID-19 outbreak.

Liquidity risk management

In view of the relaxation granted by the SBP for deferral of principal and mark-up and rescheduling of loans there will be an impact on the maturity profile of the Holding company. The asset and liability committee (ALCO) of the Holding comapany is continuously monitoring the liquidity position and the holding company is confident that the liquidity buffer currently maintained is sufficient to cater any adverse movement in the cash flow maturity profile.

Equity risk management

The carrying value of the Holidng company's investment in securities classified as available-for-sale, amounts to Rs 33,761 million as at December 31, 2020. The Holding company has recorded a gross impairment of Rs 217 million in these unconsolidated financial statements.

Operational risk management

The Holding company is closely monitoring the situation and has invoked required actions to ensure the safety and security of the Holding company's staff and uninterrupted service to customers. The senior management of the Holding company is continuously monitoring the situation and is taking timely decisions to resolve any concerns.

Business Continuity Plans (BCP) for respective areas are in place and tested. The Holding company has significantly enhanced monitoring of cybersecurity risk during these times. Remote work capabilities were enabled for staff, where required, and related risk and control measures were assessed to ensure that the Holding company's information assets are protected from emerging cyber threats and comply with the regulatory protocols required under the circumstances. The Holding company has taken all measures to ensure that service levels are maintained, customer complaints are resolved and turnaround times are monitored and the Holding company continues to meet the expectations of its employees and customers.

Capital adequacy ratio

Under the current scenario, the Holding company's are under pressure to extend further credit to their borrowers, while overall deteriorating credit risk and increased NPL may also put additional pressures on the Holding company from Capital Adequacy Ratio (CAR) perspective. The SBP has relaxed the Capital Conversion Buffer (CCB) requirements for the Banks to 1.5%, resulting in an overall CAR requirement of 11.5%. The reduced CCB has also provided an additional limit to the Company for its tier 2 capital. Further, the regulatory limit for retail loans has also been increased by the SBP to 180 million, which will result in reduced Risk Weighted Assets (RWA) for some of its loans. In addition to the measures by SBP, the senior management of the Holding company is continuously monitoring the impacts of various decisions of its CAR and taking further lending decisions based on the overall impacts on RWA. The Holding company also believes that it has sufficient buffer in its CAR requirement to meet any adverse movements in credit, market or operational risks.

46 DATE OF AUTHORIZATION

These consolidated financial statements were authorized for issue by the Board of Directors of the Holding Company on 27 Feb 2021.

GM / Chief Executive | Chief Financial Officer | Director | Director / Deputy Chairman | Director / Chairman

Annexure - I

STATEMENT SHOWING WRITTEN OFF LOANS OR ANY OTHER FINANCIAL RELIEF
OF FIVE HUNDRED THOUSAND RUPEES OR ABOVE,
PROVIDED DURING THE YEAR JANUARY - DECEMBER 31, 2020

(Rupees in million)

S. No	Name and address	Name of individual / Partners / Directors	CNIC No.	Fathers' / Husband Nanme	Outstanding liabilities at the begining of the year				Principal written off	Mark up waived	Other financial relief provided	Total
					Principal	Mark up	Others	Total				
1	2	3	4	5	6	7	8	9	10	11	12	13
1	Nina Industries Limited A-29/A, SITE, Mangopir Road, Karachi	Mr. Saeed A. Sattar (Deceased) Mr. Waqar A. Sattar Mrs. Urooj Saeed Mr. Kashif Saeed Sattar Mr. Yasir Waqar	517-38-252127 42201-6071516-3 42301-5809641-9 42000-5177233-5 42201-3174193-5	Shaikh Abdul Sattar Shaikh Abdul Sattar Saeed A. Sattar Saeed A. Sattar Waqar A. Sattar	93.084	34.881	0.000	127.965	0.000	34.881	0.000	34.881
2	A.H. International (Pvt.) Limited D-61, Block-4, KDA Scheme 5, Clifton, Karachi	Mr. Adnan Sherazee Mrs. Seema Sherazee Mr. Malik Ali Zain	42301-8051825-9 42301-6550746-4 42301-3375828-9	Muhammad Mohsin Sherazee Adnan Sherazee Malik Naseem Akhter	24.634	10.360	0.000	34.994	24.634	10.360	126.924	161.918
					117.718	45.241	0.000	162.959	24.634	45.241	126.924	196.799

NOTES

saudipak.com

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